



CITY OF
TSHWANE
IGNITING EXCELLENCE

CITY OF TSHWANE METROPOLITAN MUNICIPALITY
Consolidated Annual Financial Statements
for the year ended 30 June 2013

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

General Information

Legal form of entity

Category A Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Executive Mayor

Ramokgopa, Kgosientso

Speaker

Mosupyoe-Lesholo, Morakane

Chief Whip

Mabona, Jabulane

Mayoral committee**Members**

Mabiletsa, Dorothy (Ms) (MMC: Finance)
Mabusela, Eulanda (MMC: Health and Social Development)
Makeke, Nozipho Tyobeka (MMC: Sport and Recreational Services)
Masango, Jacob (MMC: Services and Infrastructure)
Mashaba, Petunia (MMC: Agriculture and Environmental Management)
Mashego, Terence (MMC: Community Safety and Emergency Services)
Matjila, George (MMC: Transport)
Mmoko, Thembi (MMC: Corporate and Shared Services)
Ngonyama, Joshua (MMC: Housing and Sustainable Human Settlement Development)
Pillay, Subesh (MMC: Economic Development and Planning)

Grading of local authority

Category A Grade 6 Urban Municipality (Demarcation code - TSH)

Accounting Officer

Ngobeni, Jason
Telephone: 012-358 4901

Chief Finance Officer (CFO)

Dyakala, Andile
Telephone: 012-358 8100

Registered office

Isivuno House
cnr Madiba Rd and Lillian Ngoyi Street
PRETORIA
0002

Postal address

P O Box 408
PRETORIA
0002

Bankers

Standard Bank

Auditors

Auditor-General South Africa (AGSA)

Legislation governing the municipality's operations

Local Government: Municipal Finance Management Act (Act 56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Housing Act (Act 107 of 1997)
Constitution of the Republic of South Africa (Act 108 of 1996)
Property Rates Act (Act 6 of 2004)
Division of Revenue Act (Act 1 of 2007)

Entities consolidated

Consistent with the prior financial year the following Municipal entities will be included in the Consolidated Annual Financial Statements:
Housing Company Tshwane NPC (Registration nr 2001/029821/08)
Sandspruit Works Association Soc Ltd (Registration nr 1999/019160/08)
Tshwane Economic Development Agency Soc Ltd (TEDA) (Registration nr 2006/019396/07)

Entities dormant

Metswedding Economic Development Agency (MEDA) - Council decision of 25 August 2011 to disestablish MEDA. All operations were taken over by the City of Tshwane on 1 July 2011. Deregistration still in progress.

City of Tshwane Metropolitan Municipality

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The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the consolidated annual financial statements and is unaudited:

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Certification by City Manager

The accounting officer is required by the Local Government: Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent audit opinion on the consolidated annual financial statements and are given unrestricted access to all financial records and related data of the group.

The consolidated annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the group and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these consolidated annual financial statements, which are set out from pages 16 to 173, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act and which I have signed on behalf of the group.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Jason Ngobeni
CITY MANAGER

Pretoria

30 September 2013

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Report of the Chief Financial Officer

1. INTRODUCTION

The 2012/13 financial year marked the beginning of an exciting and dynamic new phase in the growth and development of the municipality. This year has seen the ushering in of a "Game change approach" for the City, which will ensure that residents see the beginning of an efficient and prosperous Capital City. These changes are concentrated in the following areas of development and implementation:

- Launch of Security Revenue
- Inner City regeneration (formerly known as Re Kgabisa Tshwane)
- West Capital Precinct Development
- Bus Rapid Transport System, and
- Smart City Initiative

"In 2055, Tshwane will be a livable, resilient and inclusive city with a cohesive society enjoying a high quality of life, access to social and economic opportunities and partnership in the development and advancement of human rights." *Tshwane – My City, South Africa's Capital.*

The following strategic objectives outlined in the Infrastructure Development Programme (IDP) inform all the operations of the City of Tshwane:

- Provide basic services, roads and storm water
- Economic growth and development and job creation
- Sustainable communities with clean, healthy and safe environments and integrated social services
- Participatory democracy and batho pele
- Sound governance
- Financial sustainability
- Organisational development and transformation

The National Treasury Budget Review 2012 noted that the South African economy has demonstrated resilience despite unsettled international economic conditions. It was further indicated by National Treasury that municipal revenues and cash flows are expected to steadily improve during 2012/13, but given the fact that the likely recovery is not guaranteed, municipalities should still adopt a conservative approach when projecting their expected revenues and cash flows.

The domestic outlook remains positive over the medium term, meaning that is now the time to invest in our city. The credit rating agency announced a good credit rating (refer to paragraph 14) for the municipality and this places the municipality in a competitive advantage as it is now in a position to fund infrastructure capital investment projects at a competitive rate. The 2012/13 financial year also marked the issuing of the municipality's inaugural municipal bond, "The Tshwane Bond".

2. Operational and Financial Performance Review

The City of Tshwane, during the State of the City Address, highlighted the need to promote sound and good governance. In our pursuit for a clean audit opinion, the City has institutionalized the concept of Operation Clean Audit (OPCA) to the extent of nominating 28 OPCA Officers from all departments and regional offices within the City.

The slogan of the City, namely "Igniting Excellence" has made huge strides within the 2012/13 financial year and it is with pride that I, as the Chief Financial Officer present the annual financial statements for the year ended 30 June 2013 as part of igniting excellence.

It is our responsibility to ensure that the annual financial statements of the City of Tshwane present the financial position of the City and financial performance and cash flows for the year ended required by South African Standards of Generally Recognised Accounting Practice and the Municipal Finance Management Act 56 of 2003. The management and leadership of the City played a significant role to fulfill this mandate and responsibility, thereby also managing limited resources and economic condition challenges while focusing on effective service delivery.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

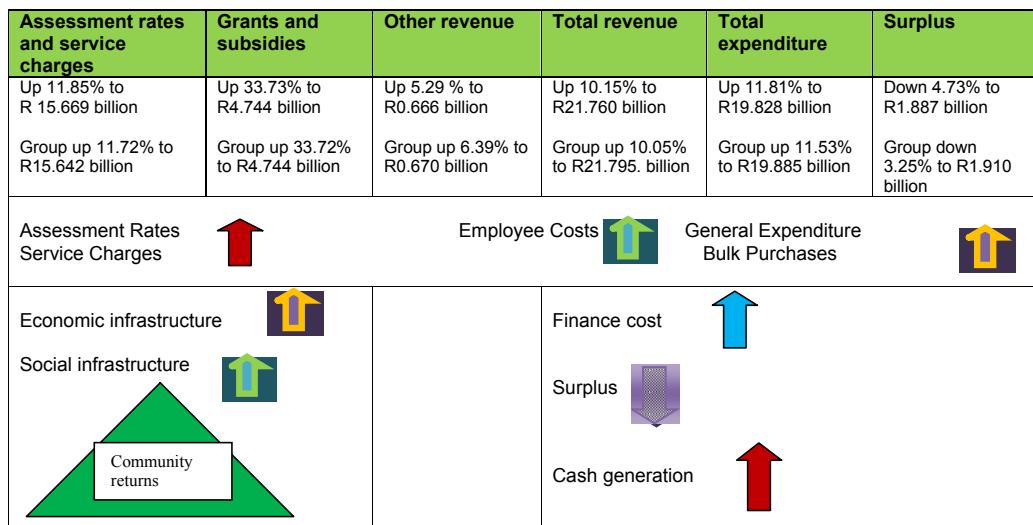
Report of the Chief Financial Officer

For the year ended 30 June 2013 the City of Tshwane showed growth in revenue, capital expenditure and uncompromising commitment to the people of Tshwane to support social infrastructure despite the resources being constrained. Indeed the people of Tshwane come first.

A report on a cash-flow turnaround strategy and initiatives was approved by the Mayoral Committee on 7 October 2009 and thereafter it was indicated that the cash-flow strategy and initiatives must remain in force until further notice. In a memorandum – by the City Manager – dated 24 November 2011 strengthened cash flow strategies and initiatives were introduced. In conjunction with these strengthened strategies and initiatives additional austerity measures were implemented during the compilation of the 2012/13 MTREF (Medium Term Revenue and Expenditure Framework) which together with the role of senior management in budgeting and cash flow management contributed to a positive cash flow position and the maintaining of medium and long-term financial sustainability of the City.

The budget was compiled conservatively, focusing on capital projects for backlog eradication and aiming to do away with expenses on "nice to have" and non-essential activities.

City of Tshwane financial framework:-



The City of Tshwane's financial framework is shown to indicate strong operational performance allowing the group to pay its finance costs and interest.

3. ACCOUNTING FRAMEWORK FOR 2012/13

During 2012/13 considerable changes to the accounting framework were implemented as a result of new accounting standards that became effective from 1 July 2012. The following accounting standards became effective from 1 July 2012:

- GRAP 21: Impairment of Non-cash generating assets
- GRAP 23: Non-exchange revenue
- GRAP 24: Budget information
- GRAP 26: Impairment of Cash-generating assets
- GRAP 103: Heritage assets
- GRAP 104: Financial instruments

The impact and effect that the implementation of these 6 new accounting standards had on the financial statements are discussed in detail in the notes to the financial statements, but in most instances the implementation of these standards leads to better and more disclosures.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Report of the Chief Financial Officer

4. FINANCIAL STATISTICS AND FINANCIAL RATIO'S

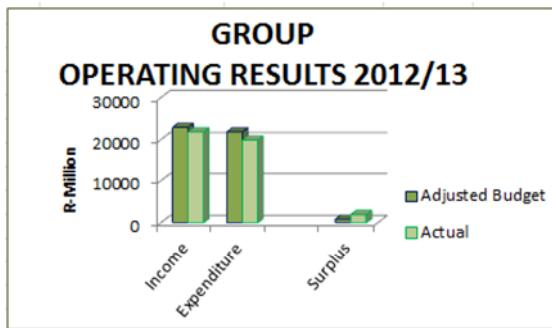
Financial statistics	2012/13		2011/12 Restated	
	Group	Municipality	Group	Municipality
Cash and Investment balances (R- thousand)	R1 376 971	R1 322 122	R967 778	R927 954
Growth in total revenue (%)	10.05%	10.2%	9.5%	30.2%
Growth in total expenditure (%)	11.53%	11.8%	23.8%	23.6%
Growth in grants (%)	33.7%	33.7%	41.6%	41.6%
Growth in assessment rates (%)	19.1%	19.1%	16.3%	15.2%
Growth in service charges (%)	9.4%	9.6%	23.8%	23.8%
Growth in capital expenditure (%)	46.0%	46.0%	38.9%	38.9%
Surplus (R-thousand)	R1 909 988	R1 974 196	R1 989 670	R1 981 003
Growth in total gross debtors (%)	17.4%	17.7%	18.4%	15.5%
Growth in total net debtors (%)	9.3%	9.0%	9.6%	8.2%
Growth in net consumer debtors (%)	14.3%	13.9%	7.4%	5.5%

5. REVIEW OF OPERATING RESULTS

The 2012/13 budget of the City of Tshwane was approved by Council on 31 May 2012 and the Adjustment Budget was approved by Council on 28 February 2013.

5.1 General

Details of the 2012/13 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance. Below is a graphical presentation of the operating results:



The overall operating results for the year ending 30 June 2013 are as follows:

Description	Adjusted Budget 2013	Adjusted Budget 2013	Actual 2013	Actual 2013	Variance Actual/ Adjusted Budget %	Actual 2012 Restated Municipality R'000	Actual 2012 Restated Group R'000
	Municipality R'000	Group R'000					
Accumulated surplus: Beginning of year							
Operating revenue for the year	22 507 250	22 907 804	11 566 485	11 586 461	4.86	2 224 288	2 261 070
	22 507 250	22 907 804	33 361 992	33 381 981		19 786 651	19 804 267
Operating expenditure for the year							
Sundry transfers *	20 371 062	20 771 616	19 908 107	19 885 533	4.27	17 805 648	17 830 071
Accumulated surplus: End of year	2 136 188	2 136 188	(5 535)	(5 535)		(7 351 194)	(7 351 195)
	22 507 250	22 907 804	33 361 992	33 381 981		11 566 485	11 586 461
						22 010 939	22 065 337

* Sundry transfers consist of transfers from the reserves as the Housing Development Fund and Insurance reserve.

The actual net expenditure of the Municipality reflects an increase of 11.81% while the actual revenue of the Municipality has increased by 10.15% since 2011/12. The largest increase on revenue occurred on

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

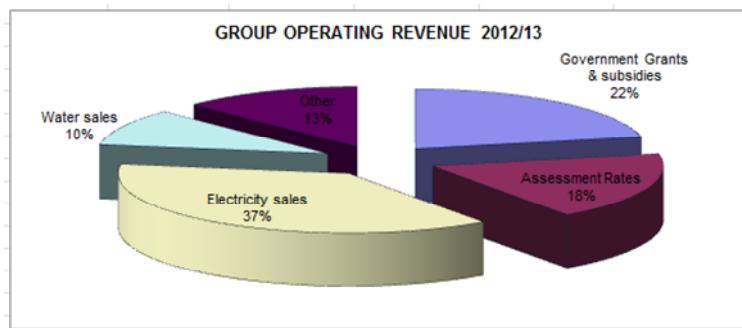
Report of the Chief Financial Officer

Assessment rates (19.1%), service charges (9.46%), government grants and subsidies (33.7%). For the group the actual expenditure reflects an increase of 11.53% while the actual revenue increased by 10.05%.

The largest increase on expenditure occurred on remuneration (10.2%), bulk purchases (8.5%), repair and maintenance (18.1%), general expenditure (16.9%), depreciation (7.2%), debt impairment (6.0%) and finance cost (16.9%).

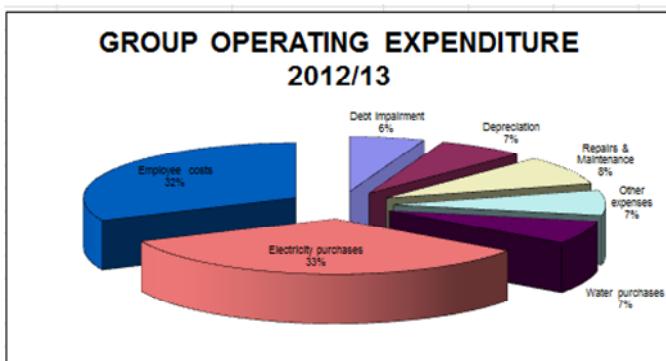
5.2 Operating Revenue

The following graph indicates a breakdown of the largest categories of revenue.



5.3 Operating expenditure

The graph below indicates the breakdown per main expenditure group.



5.4 Remuneration

The actual expenditure on remuneration for the municipality expressed as a percentage of the total expenditure shows an almost negligible decrease from 26.62% in 2011/12 to 26.25% in 2012/13. This decrease of 0.37% is due to the fact that the remuneration increased at a slightly lower percentage (10.24%) compared to the increase in the total expenditure (11.81%). For the group remuneration as a percentage of total expenditure decreased from 27.00% to 26.68% since 2011/12.

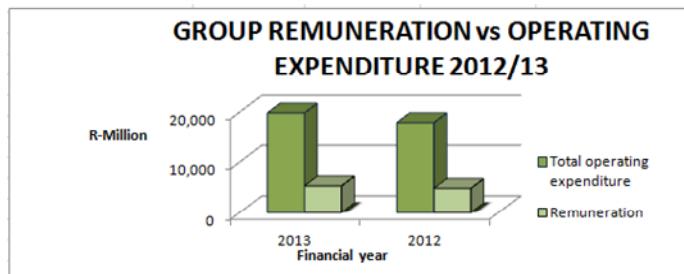
According to Infrastructure Finance Corporation Limited (INCA) a benchmark of less than 35 % is acceptable. The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33 %.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Report of the Chief Financial Officer

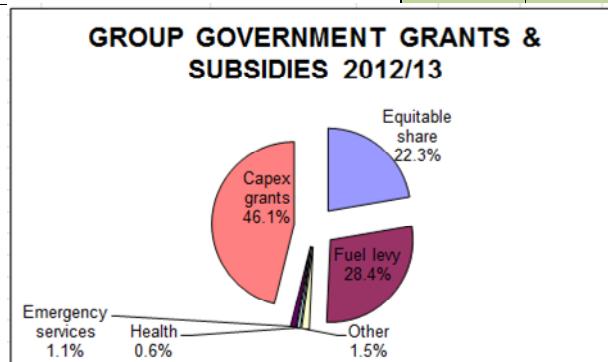
Description	2013		2012 Restated	
	Group	Municipality	Group	Municipality
	R'000	R'000	R'000	R'000
Total operating expenditure	19 885 533	19 908 108	17 830 071	17 805 648
Total operating revenue	21 795 520	21 795 507	19 804 267	19 786 651
Employee remuneration	5 304 970	5 225 703	4 815 285	4 739 894
Ratio: % of total expenditure	26.68%	26.25%	27.00%	26.62%
Ratio: % of total revenue	24.34%	23.98%	24.31%	23.96%
% Growth in remuneration	10.17%	10.24%	11.9%	11.9%



5.5 Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

Description	2013		2012 Restated	
	Group	Municipality	Group	Municipality
	R'000	R'000	R'000	R'000
Equitable share	1 040 630	1 040 630	923 020	923 020
Primary Health Care subsidy	29 626	29 626	27 325	27 325
Emergency Management Subsidy	49 676	49 676	35 483	35 483
Equitable Share Fuel Levy	1 326 054	1 326 054	1 191 521	1 191 521
Operational grants and donations: Other	-	-	2 460	2 460
Finance Management Grant (FMG)	3 096	3 096	5 116	5 116
Department Water Affairs (DWA)	2 319	2 319	6 926	6 926
Housing top structure	45 363	45 363	93 057	93 057
HIV/AIDS	5 797	5 797	5 311	5 311
Community Library services	3 406	3 406	5 848	5 848
Public Transport Infrastructure System (operational)	38 176	38 176	3 645	3 645
Urban Settlement Development Grant	48 317	48 317	3 060	3 060
Incorporation grant	0	0	20 000	20 000
Capital grants and donations	2 046 493	2 046 493	1 224 657	1 224 657
	4 744 008	4 744 008	3 547 429	3 547 429



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Report of the Chief Financial Officer

6. ANALYSIS OF FINANCIAL POSITION AS AT 30 JUNE 2013

Type	2013		2012 Restated		Variance (R) Group R'000	Variance Group %
	Group	Municipality	Group	Municipality		
	R'000	R'000	R'000	R'000		
Current assets	5 608 137	5 512 677	4 889 806	4 822 158	718 331	14.69
Non-current assets	24 416 400	24 390 773	21 158 061	21 130 618	3 258 339	15.40
Total Assets	30 024 537	29 903 450	26 047 867	25 952 776	3 976 670	15.27
Current liabilities	6 340 321	6 274 849	6 018 493	5 956 629	321 828	5.34
Non-current liabilities	9 817 616	9 814 736	8 072 761	8 069 508	1 744 855	21.61
Total Liabilities	16 157 937	16 089 585	14 091 254	14 026 137	2 066 683	14.67
Net Assets	13 866 601	13 814 037	11 956 614	11 926 639	1 909 987	15.97

The following is a summary of the most critical ratios:

Financial Statistics	2013		2012 Restated	
	Group	Municipality	Group	Municipality
Current asset ratio	0.88:1	0.88:1	0.81:1	0.81:1
Acid test ratio	0.82:1	0.81:1	0.74:1	0.74:1
Solvability ratio	1.86:1	1.86:1	1.85:1	1.85:1
Total long-term debt to total revenue (gearing ratio) (excluding grants)*	49.73%	49.72%	41.45%	41.47%
Gearing ratio * (including grants)	38.91%	38.90%	34.02%	34.04%
Inventory turnover	2.50 times	2.50 times	2.62 times	2.62 times
Overdraft (cashbook) plus short-term loans to total operating revenue #	8.08%	7.75%	5.95%	5.71%
Cash to interest coverage	4.37:1	4.35:1	6.38:1	6.40:1
Capital charges to total operating revenue	10.81:1	10.79:1	10.25:1	10.23:1
Debt to cash ratio	2.62:1	2.64:1	1.67:1	1.66:1
Financing to capital expenditure ratio	0.39:1	0.39:1	0.15:1	0.15:1
Repairs & maintenance to annual operating revenue	8.30%	8.25%	7.37%	7.37%
Net debtors to total annual operating revenue	21.74%	21.53%	20.87%	20.75%
Borrowings to PPE Assets (%)	35.01%	35.03%	32.12%	32.15%
Debt coverage	31.87	31.88	46.98	46.97
Debt to equity	99.04	98.95	99.29	99.04
Cost coverage	1.00	0.93	1.02	0.96

* According to credit rating companies the benchmark for local government is a ratio of less than 50%

According to credit rating companies the benchmark for local government is a ratio of less than 5%

7. CASH AND CASH EQUIVALENTS, INVESTMENTS AND LIQUIDITY RATIO'S

Type	2013		2012 Restated	
	Group	Municipality	Group	Municipality
Cash and cash equivalents (R-thousand)	R740 968	R686 118	R643 927	R604 103
Liquidity ratio	4.60	4.75	6.22	6.42
Acid test ratio	0.82:1	0.81:1	0.74:1	0.74:1
Gearing ratio (excluding grants) *	49.73%	49.72%	41.45%	41.47%
Gearing ratio (including grants) *	38.91%	38.90%	34.02%	34.04%

* According to credit rating companies the benchmark for local government is a ratio of less than 50 %.

8. DEBTORS

Details regarding the debtors are provided in Note 20 (Long-term receivables), Note 22 (Consumer Debtors) and Note 23 (Other Debtors) of the Notes to the Annual Financial Statements.

8.1 Long-term receivables/debtors (note 20)

The long-term receivables show an increase of R 5.847 million (1.90%). This increase can mainly be ascribed to an increase in the arrangement consumer debtors (increase of R21.19 million) and this was counteracted by a decrease in the sale of land (R14.35 million).

8.2 Other debtors (note 23)

The Other Debtors (debtors other than consumer debtors – see note 23 for detail) for the Municipality in total increased with an amount of 8.272 million (0.91%). This is mainly the result of Sundry persons decreasing with

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Report of the Chief Financial Officer

an amount of R30.468 million and the miscellaneous debtors decreasing with an amount of R76.820 million. These decreases were counteracted by an increase in: Gauteng housing grant debtor (R48.553 million), waste management debtors (R20.395 million) and the public contributions debtor (R28.149 million). For the group other debtors increased with R11.912 million (1.26%).

8.3 Consumer debtors (note 22)

For the Municipality the consumer debtors increased in total with an amount of R1 168 410 billion (21.1%). The debtors taken over from Magalies Water amounted to R154.149 million. For the group consumer debtors increased with R1 234.340 billion (20.74%). The increase in debt per customer classification is made up as follows:

Customer classification	Group			Municipality		
	2013		2012 Restated	2013		2012 Restated
	Total R'000	Increase/ (Decrease) R'000	Total R'000	Total R'000	Increase/ (Decrease) R'000	Total R'000
Households	4 512 231	626 442	3 885 789	4 129 639	586 989	3 542 650
Industrial/Commercial	2 072 537	563 500	1 509 037	2 073 537	563 500	1 509 037
National and Provincial government	132 890	(5 635)	138 525	132 890	(5 635)	138 525
Other	371 834	23 556	348 278	371 834	23 556	348 278
Total	7 089 492	1 207 863	5 881 629	6 706 900	1 168 410	5 538 490

The increase in consumer debt per ageing analysis is as follows:

Age analysis group	Group			Municipality		
	2013		2012 Restated	2013		2012 Restated
	Total R'000	Increase/ (Decrease) R'000	Total R'000	Total R'000	Increase/ (Decrease) R'000	Total R'000
Current (0-30 days)	2 759 117	261 079	2 498 038	2 376 525	221 626	2 154 899
31 – 60 days	153 297	53 612	99 685	153 297	53 612	99 685
61 – 90 days	150 622	20 261	130 361	150 622	20 261	130 361
91 – 120 days	126 885	9 018	117 867	126 885	9 018	117 867
121 – 150 days	123 205	22 116	101 089	123 205	22 116	101 089
151 – 180 days	121 975	23 050	98 925	121 975	23 050	98 925
181 – 365 days	662 200	89 714	572 486	662 200	89 714	572 486
365 + days	2 992 191	729 013	2 263 178	2 992 191	729 013	2 263 178
Total	7 089 492	1 207 863	5 881 629	6 706 900	1 168 410	5 538 490

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

Description	Group		Municipality	
	2013	2012 Restated	2013	2012 Restated
	R'000	R'000	R'000	R'000
Debits levied : Consumer debtors	15 641 691	14 001 029	15 669 470	14 009 377
Balance on 1 July	5 881 629	5 043 121	5 538 490	4 737 652
Balance on 30 June	7 089 492	5 881 629	6 706 900	5 538 490
Average balance	6 485 561	5 462 375	6 122 695	5 138 071
Days in the financial year	365	366	365	366
Turnover: Number of days	151	143	143	134
Turnover: Number of times (levies/average balance)	2.41	2.56	2.56	2.73

A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results, since an average collection rate of 108.6 % (2012 = 105.4%; 2011 = 105.7% and 2010 = 105.0%) was maintained by the Municipality during the 2012/13 financial year.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Report of the Chief Financial Officer

9. CAPITAL EXPENDITURE AND FINANCING (only with regard to the Municipality)

The Municipality's original approved Capital Expenditure Budget for 2012/13 amounted to R4 353 046 899 and was accepted by National Treasury. This Capital Budget was amended by means of an adjustments budget approved by Council on 28 February 2013 to R4 613 868 295 in total, which resulted in an increase of R260 821 396 in the total Capital Expenditure Budget, primarily to address additional National and Provincial grant allocations, to accommodate unspent grant allocations from the 2011/12 financial year approved by National Treasury in terms of the DoRA for roll-over, as well as other contributions, corrections and reallocations of savings identified by Strategic Units requested to review the performance of the capital programme.

The table below reflects the net increase / decrease in the various funding sources:

Strategic Unit	Original Budget 2012/13	Adjusted Budget 2012/13	Increase/ (Decrease)
	R'000	R'000	R'000
Council Funding	637 384	142 684	(494 700)
Public Transport Infrastructure and Systems Grant (PTIS)	738 702	839 393	100 691
Neighbourhood Development Partnership Grant (NDPG)	59 567	186 017	126 450
Government Housing	72 187	72 187	-
Urban Settlements Development Grant (USDG)	996 070	1 011 688	15 618
Integrated National Electrification Programme (INEP)	30 000	30 000	-
Capital Replacement Reserve	63 260	63 927	667
Energy Efficiency Demand Side Management (EEDSM)	-	11 030	11 030
Incentive-Expanded Public Works Programme (EPWP)	10 151	6 651	(3 500)
Other contributions	14 355	14 871	516
Restructuring Grant (RG)	500	1 717	1 217
Financial Management Grant (FMG)	2 300	5 133	2 833
Community Library Services (CLS)	1 640 000	2 140 000	500 000
Borrowings	88 571	88 571	-
Public Contributions and Donations			
TOTAL	4 353 047	4 613 868	260 821

Actual expenditure incurred during the 2012/13 financial year as indicated in the table below amounts to R4 550 503 401 or 98.6% measured against the adjusted budget, resulting in a variance of R63 364 894 or 1.40% measured against adjusted budget. The main contributors to this variance were the following projects:

- CBD and Surrounding Areas (2010SWC) HOV / BRT Lanes on Corridors to North and Hatfield (R106,5 million);
- Upgrading of Lavender Road (Southern Part of K 97) (R15,6 million);
- Township Establishment of Land of Low Cost Housing - Project Linked Housing (R13,4 million);
- Replacement of Sewers (R11,7 million); and
- Upgrading of Maunde (R10.6 million).

On comparison of the actual expenditure for the 2012/13 financial year with the actual expenditure of the 2011/12 financial year, an increase in expenditure of R1 437 451 468 is evident, which indicates that the City increased its investment in Property, Plant and Equipment.

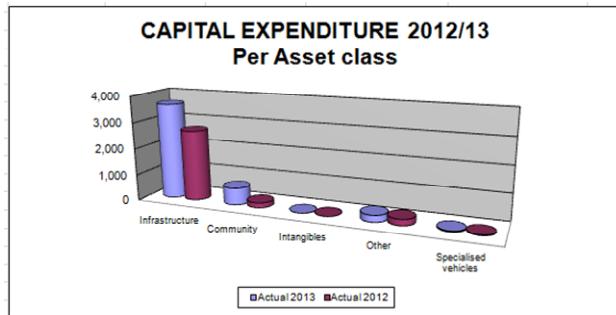
Type of Asset	Actual Capital expenditure according to asset class	
	Actual 2013	Actual 2012
	R'000	R'000
Infrastructure	3 636 382	2 685 963
Community	630 760	178 098
Other Assets	247 431	226 461
Specialised Vehicles	35,024,	25 477
Intangibles	906,	0
TOTAL	4 550 503	3 115 999

The graph below shows the distribution of the property, plant and equipment according to the type.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

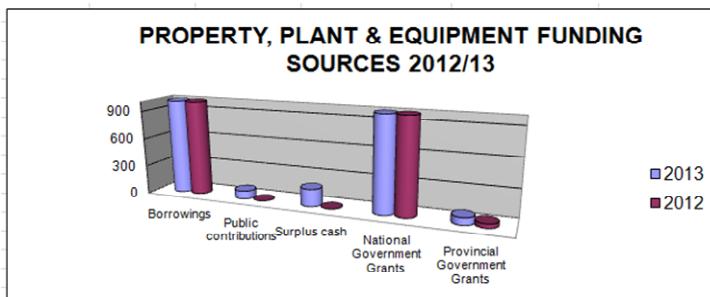
Report of the Chief Financial Officer



The above-mentioned assets were financed from the following sources as reflected below:

Sources of Finance	Actual Capital expenditure per Sources of Finance	
	Actual 2013 R'000	Actual 2012 R'000
External Loans	2 129 535	1 890 203
Surplus Cash	182 987	0
Public contributions / donations	86 435	0
National Government Transfers and Grants	2 076 699	1 183 233
Provincial Government Transfers and Grants	74 846	42 563
TOTAL	4 550 503	3 115 999

The following is a graphic presentation according to financing sources:



When comparing the actual expenditure to the budgeted expenditure, the financing source of capital projects plays an important role. The funding from own sources which are primarily the Capital Replacement Reserve and the External Financing Fund (external loans taken up), can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

10. CREDITORS

Creditors as at financial year end mainly related to the following categories:

Type	Group		Municipality	
	2013 R'000	2012 Restated R'000	2013 R'000	2012 Restated R'000
Trade creditors	2 889 982	2 752 688	2 841 132	2 706 140
Payment received in advance	25 883	22 130	25 883	22 130
Accrued leave pay	602 904	547 763	597 715	542 593
Debtors with credit balances (received in advance)	613 524	542 143	613 524	542 142
Retention	311 223	238 990	311 223	238 990
RTMC: AARTO	10 240	4 908	10 240	4 908
Other creditors	539 633	423 536	565 218	420 535
Total	4 993 389	4 532 158	4 973 505	4 477 438

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Report of the Chief Financial Officer

11. LONG-TERM DEBT

For the municipality the long-term debt (external loans and lease liabilities) increased from R6 734 489 399 to R8 477 417 071 (R1 742 927 672 increase) during the year under review. This is as a result of financing required for the funding of capital projects. The municipality entered the bond market and issued municipal bonds to the value of R2.140 billion. Further the municipality restructured its loan portfolio and loans to the value of R1.987 billion were redeemed and new loans to the value of R2.002 billion were taken up as part of this restructuring exercise. For the group the long-term debt (external loans and lease liabilities) increased from R6 737 925 093 to R8 480 537 382 (R1 742 612 289 increase) during the year under review.

12. ACCUMULATED SURPLUS

For the municipality the year under review was closed with an accounting accumulated surplus of R13 814 037 349 compared to R11 926 638 478 of 2011/12. This increase of R1 887 398 871 is the result of the surplus from operations (i.e. the difference between the total revenue and the total expenditure) for the year.

For the group the year under review was closed with an accounting accumulated surplus of R13 866 601 177 compared to R11 956 613 650 of 2011/12. This increase of R1 909 987 527 is the result of the surplus from operations (i.e. the difference between the total revenue and the total expenditure) for the year.

13. TREATMENT OF MATTERS RAISED BY THE AUDITOR-GENERAL DURING THE PREVIOUS AUDIT

The City of Tshwane received an unqualified audit report for the 2011/12 financial year. There were, however, emphasis of matter as well as other important matters reported in the audit report due to non-compliance and performance information. In order to ensure a clean audit report, these items need to be properly addressed and rectified.

A high-level Operation Clean Audit (OPCA) project plan was developed. The plan sets out the steps that need to be taken into account and what needs to be in place to ensure a clean audit report. This will be an ever evolving plan, which will be improved as the project progresses and new and/or more appropriate steps become necessary.

As part of enhancing Operation Clean Audit, the City of Tshwane took an initiative to nominate 28 Operation Clean Audit officers, by each service department and region, solely focussing on achieving a clean audit opinion.

In an effort to monitor OPCPA activities, a steering committee, chaired by the Executive Mayor, was established to oversee the OPCPA project on a strategic level and ensure a clean audit report. The functions of the steering committee include:

- ✓ Overseeing the development of an OPCPA strategy
- ✓ Overseeing the development of an overall OPCPA plan
- ✓ Assisting in the identification of risk areas that might affect OPCPA
- ✓ Risk areas to be allocated to relevant divisions and departments for prioritisation and elimination
- ✓ Divisions and department to present specific progress on the risk areas to the steering committee
- ✓ Monitoring progress
- ✓ Sign-off on readiness for external audit purposes

14. CREDIT RATING

A credit rating performed on the Municipality during September 2012 by the firm Moody's and issued on 2 October 2012 was as follows:

- **Long term debt rating: -A1.za (maturities of one year or greater):** *Defined as upper-medium grade. "A" obligations are judged to be upper-medium grade and are subject to low credit risk.*
- **Short term debt rating: Prime-1.za (maturities of less than one year):** *Defined as the highest quality. A superior ability to repay short-term debt obligations.*
- **Financial outlook: Negative:** *The negative rating outlook mirrors the negative outlook on South Africa's sovereign rating and reflects systemic pressure. An upgrade is regarded as unlikely given the*

City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

negative rating outlook. A stabilization of the outlook would require a stabilization of the sovereign rating outlook. Additionally, an upgrade or stabilization of the outlook would require evidence of Tshwane's capacity to realize structural and distinctive improvements in its financial and debt metrics.

15. MUNICIPAL ENTITIES

15.1 Viable municipal entities

In the 2012/13 financial year the City of Tshwane had three (3) active municipal entities which were found to be viable and functioning in compliance with the Municipal Finance Management Act and the Local Government Systems Act. These were the following

- Sandspruit Works Association
- Housing Company Tshwane
- Tshwane Economic Development Agency (TEDA) (started with operations during 2012/13)

15.2 Consolidation of municipal entities

Consistent with the previous financial years separate consolidated financial statements were compiled for the City of Tshwane and its operational municipal entities for submission to the Office of the Auditor-General on 30 September 2013, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- Tshwane Economic Development Agency (TEDA)

16. CASH FLOW IMPROVEMENT VS RATIOS

During the 2009/10 financial year the City of Tshwane implemented various cash flow strategies. To ensure sound financial management and sustainability over the medium to long-term the belt tightening intervention initiatives had to remain in force. During the 2011/12 financial year the City Manager introduced strengthened cash flow strategies and initiatives. For the group the positive effect of these strategies can be seen in the positive cash flow of R409.2 million compared to the low cash and cash equivalents of R57.3 million in 2011/12.

Overall, the cash flow of the group decreased as the net cash flow from operating activities decreased with 20.0% from R4.042 billion to R3.232 billion since 2011/12, although the net cash and cash equivalents increased with R351.9 million since 2011/12.

17. FIXED ASSET REGISTER

Although it was still a challenge to produce a compliant and purified asset register in the 2012/13 financial year, the improvement was huge compared to the previous three financial years. A service provider was appointed to assist the City of Tshwane with the Asset Register as well as the Asset Management Unit and the transfer of skills. Verification, review of useful lives, impairment, etc were performed during the 2012/13 financial year end to ensure a GRAP compliant fixed asset register.

18. FINANCIAL SUSTAINABILITY

A long-term financial strategy ensures that the City is financially sustainable and responds to the Growth and Development Strategy, policies, priorities and infrastructure needs. The objectives of the Long-Term Financial Strategy (LTFS) are focusing on:

- Producing a prudent and sound medium- to long-term financial framework
- Ensuring resilience and the ability to absorb future shocks
- Ensuring sustainable services (Investment in infrastructure and adequate maintenance of infrastructure)
- Identifying strategies for long-term financial sustainability (operational efficiency initiatives and sustainable and alternative revenue streams)
- Responding to the long-term strategy of the municipality
- Improve the municipality's credit rating

Municipalities, in the current day, moved away from short-term to long-term planning. A long-term sustainability strategy is needed that complies with financial viability, financial sustainability and value for money. The Long

City of Tshwane Metropolitan Municipality

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Report of the Chief Financial Officer

Term Financial Model (LTFM) of the City of Tshwane places emphasis on affordability and long-term sustainability. The LTFM is predominantly a financial planning tool to ensure long-term financial sustainability for the organisation but it is run parallel with the financial planning process to ensure that the strategies and direction of the Municipality are at all times informed by best practice.

Municipalities can experience sustainability challenges if they do not have robust financial planning, management and governance in place. Such financial planning and management includes a strong ten-year plan, consistent annual budgets and detailed quarterly financial position reviews.

Financial sustainability is defined as whether or not the City will have the financial capacity to continue existing in the long term. The City of Tshwane therefore continuously develops processes in striving for excellence as well as strategies and programmes to deal with the challenges it faces. Planning enables the City of Tshwane to move towards a proactive target setting approach.

The strategies and measures already implemented to ensure sustainability are the following:

- Long-term Financial Model (main informer)
- Budget policy
- Revenue enhancement strategy
- Budget principles and guidelines
- Cash-flow management intervention initiatives
- Detailed quarterly financial reviews

The long-term strategy of the City of Tshwane is to ensure that the municipality is financially sustainable and able to respond with the agility required to quantify the resources and implement strategies aligned to our Growth and Development Strategy, policies, priorities and infrastructure needs.

This means that due to our inherently limited revenue base (municipal rates, user charges and grants/subsidies), we have to be pro-active with respect to the minimization of costs and the maximization of efficiencies to meet daily and ever-increasing service delivery imperatives.

Our objective is therefore the creation of a prudent and sound medium to long-term financial framework that is resilient to future shocks, and ensures sustainability of services through investment in infrastructure and the associated requisite adequate maintenance.

The municipal bonds further provide a sustainable source of funding to ensure the achievement of the Tshwane vision 2055, which is premised on establishing the City of Tshwane as the African capital city of excellence.

Although slower than anticipated, South Africa's economy has continued to grow. National trade performance is hindering the country's growth potential and the economy must first recover before growth will be realized.

We continue to improve efficiencies to reduce the cost of doing business, investing and settling Tshwane.

19. APPRECIATION

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the City Manager and Strategic Executive Directors for the support they have given me and my staff during the 2012/13 financial year. A sincere word of appreciation to everybody, and in particular the financial staff, for the hard work, sacrifices and concentrated efforts during the financial year to enable us to finalise and submit the annual financial statements within the prescribed period of two months after year end (i.e. 31 August) as well as the consolidated annual financial statements within the prescribed period of 3 months after the financial year end (i.e. 30 September).

Andile Dyakala
GROUP CHIEF FINANCIAL OFFICER

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

Note(s)	Group		Municipality	
	2013	2012 Restated	2013	2012 Restated
	R	R	R	R
Assets				
Current Assets				
Inventories	21	402,238,641	417,462,010	399,467,833
Current portion of long-term receivables	20	119,303,329	108,802,610	119,303,329
Other debtors	23	581,728,390	658,210,113	541,362,319
VAT receivable	12	2,965,618	2,974,060	-
Consumer debtors	22	3,124,929,903	2,734,234,725	3,130,421,675
Call investment deposits	19	636,003,487	323,851,507	636,003,487
Cash and cash equivalents	24	740,967,794	643,926,921	686,118,280
		5,608,137,162	4,889,461,946	5,512,676,923
				4,821,813,027
Non-Current Assets				
Investment property	14	964,541,529	1,002,174,054	951,341,529
Property, plant and equipment	13	22,648,616,539	19,105,142,745	22,637,117,115
Leased assets	17	171,655,852	392,780,484	171,655,852
Intangible assets	15	414,245,964	450,065,830	414,154,169
Heritage assets	16	25,686,395	26,059,432	25,686,395
Investments	19	4,986,212	87,622,609	4,986,212
Long-term receivables	20	104,277,461	94,216,295	104,277,461
Deferred tax	63	836,432	-	-
Interest rate swap asset	68	81,554,131	-	81,554,131
		24,416,400,515	21,158,061,449	24,390,772,864
				21,130,617,961
Assets held for sale	18	56	344,590	56
Total Assets		30,024,537,733	26,047,867,985	29,903,449,843
				25,952,775,578
Liabilities				
Current Liabilities				
Long-term liabilities	4	535,106,566	346,018,276	534,791,168
Lease liabilities	5	127,908,505	127,462,094	127,908,505
Deferred operating lease liability	64	3,117,455	2,777,684	2,990,938
Payables from exchange transactions	10	5,034,043,418	4,532,158,449	4,973,504,827
VAT payable	12	91,980,877	281,849,052	91,975,271
Consumer deposits	9	421,669,621	406,953,225	418,175,945
Unspent grants and receipts	11	126,494,481	319,663,700	125,330,239
Provisions	6	-	1,610,788	-
		6,340,320,923	6,018,493,268	6,274,676,893
				5,956,628,927
Non-Current Liabilities				
Long-term liabilities	4	7,766,929,898	6,088,869,590	7,764,124,985
Lease liabilities	5	50,592,413	175,575,133	50,592,413
Deferred operating lease liability	64	2,372,547	5,069,533	2,308,997
Retirement benefit obligation	44	1,755,107,675	1,587,376,653	1,755,107,675
Deferred tax	63	11,569	-	-
Provisions	6	242,601,531	215,870,158	242,601,531
		9,817,615,633	8,072,761,067	9,814,735,601
				8,069,508,172
Total Liabilities		16,157,936,556	14,091,254,335	16,089,412,494
Net Assets		13,866,601,177	11,956,613,650	13,814,037,349
Net Assets				11,926,638,479
Accumulated surplus	43	13,866,601,177	11,956,613,650	13,814,037,349
				11,926,638,479

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

	Group		Municipality		
	2013	2012	2013	2012	
	Note(s)	R	Restated R	R	Restated R
Revenue					
Revenue from exchange transactions					
Service charges	26	11,642,235,567	10,643,372,054	11,669,883,942	10,651,601,683
Rental of facilities and equipment		106,060,759	100,016,243	103,606,469	97,718,235
Interest received - outstanding consumer debtors		276,805,756	265,720,882	253,250,109	244,643,012
Licences and permits		58,658,683	52,426,020	58,658,683	52,426,020
Other income	28	669,847,424	629,607,940	665,733,747	627,769,053
Investment revenue	33	62,828,008	52,933,829	62,236,528	52,185,100
Total revenue from exchange transactions		12,816,436,197	11,744,076,968	12,813,369,478	11,726,343,103
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	25	3,999,445,336	3,357,657,236	3,999,585,718	3,357,774,830
Transfer revenue					
Government grants, subsidies, awards and donations	27	4,743,766,470	3,547,429,486	4,744,008,495	3,547,429,486
Public contributions and donations		152,709,701	117,380,914	152,709,701	117,380,914
Fines		3,934,831	4,555,875	3,934,831	4,555,875
Total revenue from non-exchange transactions		8,899,856,338	7,027,023,511	8,900,238,745	7,027,141,105
Total revenue		21,716,292,535	18,771,100,479	21,713,608,223	18,753,484,208
Expenditure					
Personnel	29	(5,304,963,548)	(4,815,285,269)	(5,225,703,079)	(4,739,894,487)
Remuneration of councillors	30	(92,573,294)	(91,453,370)	(92,573,294)	(91,453,370)
Depreciation and amortisation	31	(1,103,121,160)	(1,033,238,522)	(1,100,838,501)	(1,030,493,515)
Impairment loss/ Reversal of impairments	65	(4,818,771)	(29,807,842)	(4,818,771)	(29,807,842)
Finance costs	32	(740,274,779)	(633,215,352)	(739,419,952)	(632,350,791)
Debt impairment	34	(951,619,336)	(903,949,770)	(874,303,916)	(821,215,068)
Collection costs		(95,800,895)	(95,026,950)	(95,800,895)	(95,026,950)
Repairs and maintenance		(1,415,881,948)	(1,198,453,072)	(1,405,944,744)	(1,195,917,028)
Bulk purchases	35	(6,695,411,406)	(6,172,120,339)	(6,793,054,563)	(6,258,775,168)
Grants and subsidies paid	36	(17,290,290)	(21,495,798)	(17,290,290)	(21,495,798)
General Expenses	37	(3,194,993,417)	(2,750,607,334)	(3,289,013,214)	(2,803,800,040)
Total expenditure		(19,616,748,844)	(17,744,653,618)	(19,638,761,219)	(17,720,230,057)
Operating surplus					
Gain/(loss) on disposal of assets and liabilities		2,099,543,691	1,026,446,861	2,074,847,004	1,033,254,151
Loss on foreign exchange transactions		(268,847,768)	(82,522,739)	(268,585,708)	(82,522,739)
Fair value adjustments		(760,902)	(2,630,305)	(760,902)	(2,630,305)
Gain on transfer of functions	62	79,227,638	(264,454)	81,898,475	(264,454)
		-	1,033,166,378	-	1,033,166,378
		(190,381,032)	947,748,880	(187,448,135)	947,748,880
Surplus before taxation		1,909,162,659	1,974,195,741	1,887,398,869	1,981,003,031
Taxation (TEDA)		(824,863)	-	-	-
Surplus for the year		1,909,987,522	1,974,195,741	1,887,398,869	1,981,003,031

The National Treasury classification of expenditure is disclosed in note 67.

City of Tshwane Metropolitan Municipality

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Group		
Opening balance as previously reported	9,688,999,875	9,688,999,875
Adjustments	293,418,034	293,418,034
Prior year adjustments (refer to note 46)		
Balance at 01 July 2011 as restated	9,982,417,909	9,982,417,909
Changes in net assets		
Surplus for the year	1,974,195,741	1,974,195,741
Total changes	1,974,195,741	1,974,195,741
Opening balance as previously reported	11,904,961,308	11,904,961,308
Adjustments	51,652,347	51,652,347
Prior year adjustments (refer to note 46)		
Balance at 01 July 2012 as restated	11,956,613,655	11,956,613,655
Changes in net assets		
Surplus for the year	1,909,987,522	1,909,987,522
Total changes	1,909,987,522	1,909,987,522
Balance at 30 June 2013	13,866,601,177	13,866,601,177
Municipality		
Opening balance as previously reported	9,650,090,327	9,650,090,327
Adjustments	295,545,121	295,545,121
Prior year adjustments (refer to note 46)		
Balance at 01 July 2011 as restated	9,945,635,448	9,945,635,448
Changes in net assets		
Surplus for the year	1,981,003,031	1,981,003,031
Total changes	1,981,003,031	1,981,003,031
Opening balance as previously reported	11,875,062,106	11,875,062,106
Adjustments	51,576,374	51,576,374
Prior year adjustments (refer to note 46)		
Balance at 01 July 2012 as restated	11,926,638,480	11,926,638,480
Changes in net assets		
Surplus for the year	1,887,398,869	1,887,398,869
Total changes	1,887,398,869	1,887,398,869
Balance at 30 June 2013	13,814,037,349	13,814,037,349
Note(s)	43	

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statement

Note(s)	Group		Municipality	
	2013	2012 Restated	2013	2012 Restated
	R	R	R	R
Cash flows from operating activities				
Receipts				
Cash receipts from rate payers, government and other	15,453,687,921	15,055,620,078	15,543,498,911	15,215,093,968
Grants	4,743,766,470	3,547,429,486	4,744,008,495	3,547,429,486
Interest income	62,828,008	52,933,829	62,236,528	52,185,100
	<u>20,260,282,399</u>	<u>18,655,983,393</u>	<u>20,349,743,934</u>	<u>18,814,708,554</u>
Payments				
Cash paid to suppliers and employees	(16,270,917,890)	(13,959,679,534)	(16,379,138,036)	(14,109,442,945)
Finance costs	(740,274,779)	(633,215,352)	(739,419,952)	(632,350,791)
Transfers and grants	(17,290,290)	(21,495,798)	(17,290,290)	(21,495,798)
	<u>(17,028,482,959)</u>	<u>(14,614,390,684)</u>	<u>(17,135,848,278)</u>	<u>(14,763,289,534)</u>
Net cash flows from operating activities	38	<u>3,231,799,440</u>	<u>4,041,592,709</u>	<u>3,213,895,656</u>
				<u>4,051,419,020</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	13	(4,396,327,321)	(4,247,587,318)	(4,394,190,660)
Purchase of leased assets	17	-	(115,026,987)	-
Proceeds from sale of property, plant and equipment	13	(129,883,806)	(82,522,739)	(129,621,746)
Purchase of investment property	14	(18,307,493)	(178,198,222)	(18,307,493)
Purchase of other intangible assets	15	(1,220,637)	(131,135,357)	(1,056,075)
Proceeds from sale of heritage assets	16	-	(214,400)	-
Proceeds from sale of financial assets		62,074,512	54,914,064	62,074,512
Purchase of interest rate swap asset		(81,554,131)	-	(81,554,131)
Net cash flows from investing activities		<u>(4,565,218,876)</u>	<u>(4,699,770,959)</u>	<u>(4,562,655,593)</u>
				<u>(4,699,168,815)</u>
Cash flows from financing activities				
Proceeds from long-term liabilities		4,142,000,000	1,022,303,530	4,142,000,000
Repayment of long-term liabilities		(2,274,851,402)	(344,160,874)	(2,274,536,019)
Finance lease payments		(124,536,309)	37,372,460	(124,536,309)
Net cash flows from financing activities		<u>1,742,612,289</u>	<u>715,515,116</u>	<u>1,742,927,672</u>
				<u>716,123,515</u>
Net increase/(decrease) in cash and cash equivalents		<u>409,192,853</u>	<u>57,336,866</u>	<u>394,167,735</u>
				<u>68,373,720</u>
Cash and cash equivalents at the beginning of the year		967,778,428	910,441,560	927,954,032
Cash and cash equivalents at the end of the year	24	<u>1,376,971,281</u>	<u>967,778,426</u>	<u>1,322,121,767</u>
				<u>927,954,032</u>

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Original budget (i.t.o. s28 and s31 of the MFMA)	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Group - 2013											
Financial Performance											
Property rates	3,721,740,700	200,000,000	3,921,740,700		-	3,921,740,700	3,999,445,336		77,704,636	102 %	107 %
Service charges	12,705,804,484	(130,770,546)	12,575,033,938		-	12,575,033,938	11,642,235,567		(932,798,371)	93 %	92 %
Investment revenue	291,774	3,922	295,696		-	295,696	62,828,008		62,532,312	21,248 %	21,533 %
Transfers recognised - operational	2,566,616,080	103,115,184	2,669,731,264		-	2,669,731,264	2,592,220,937		(77,510,327)	97 %	101 %
Other own revenue	1,510,405,009	51,911,375	1,562,316,384		-	1,562,316,384	1,347,244,792		(215,071,592)	86 %	89 %
Total revenue (excluding capital transfers and contributions)	20,504,858,047	224,259,935	20,729,117,982		-	20,729,117,982	19,643,974,640		(1,085,143,342)	95 %	96 %
Employee costs	(5,613,007,457)	169,868,599	(5,443,138,858)		-	(5,443,138,858)	(5,304,963,548)		138,175,310	97 %	95 %
Remuneration of councillors	(99,241,121)	10,300,395	(88,940,726)		-	(88,940,726)	(92,573,294)		3,632,568	(3,632,568)	104 %
Debt impairment	(908,732,581)	(3,954,298)	(912,686,879)			(912,686,879)	(951,619,336)		108,646,694	(38,932,457)	104 %
Depreciation and asset impairment	(958,696,660)	(15,147)	(958,711,807)			(958,711,807)	(1,107,939,931)		152,343,108	(149,228,124)	116 %
Finance charges	(791,168,991)	93,258,406	(697,910,585)		-	(697,910,585)	(740,274,779)		41,640,161	(42,364,194)	106 %
Materials and bulk purchases	(7,756,989,987)	(10,233,971)	(7,767,223,958)		-	(7,767,223,958)	(6,695,411,406)		-	1,071,812,552	86 %
Transfers and grants	(21,201,500)	-	(21,201,500)		-	(21,201,500)	(17,290,290)		-	3,911,210	82 %
Other expenditure	(4,645,041,534)	(236,759,796)	(4,881,801,330)		-	(4,881,801,330)	(4,976,284,930)		-	(94,483,600)	102 %
Total expenditure	(20,794,079,831)	22,464,188	(20,771,615,643)		-	(20,771,615,643)	(19,886,357,514)		306,262,531	885,258,129	96 %
Surplus/(Deficit)	(289,221,784)	246,724,123	(42,497,661)		-	(42,497,661)	(242,382,874)		(199,885,213)	570 %	570 %

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Original budget (i.t.o. s28 and s31 of the MFMA)	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. of the MFMA)	Virement (i.t.o. s31 council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	1,923,831,899	254,854,254	2,178,686,153	-		2,178,686,153	2,151,545,533		(27,140,620)	99 %	112 %
Surplus (Deficit) after capital transfers and contributions	1,634,610,115	501,578,377	2,136,188,492	-		2,136,188,492	1,909,162,659		(227,025,833)	89 %	117 %
Taxation	-	-	-	-		-	(824,863)		(824,863)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	1,634,610,115	501,578,377	2,136,188,492	-		2,136,188,492	1,909,987,522		(226,200,970)	89 %	117 %
Capital expenditure and funds sources											
Total capital expenditure	4,353,046,899	260,821,396	4,613,868,295	-		4,613,868,295	4,550,503,401		(63,364,894)	99 %	105 %
Sources of capital funds											
Transfers recognised - capital	(1,923,831,899)	(254,854,253)	(2,178,686,152)	-		(2,178,686,152)	(2,151,545,532)		27,140,620	99 %	112 %
Public contributions and donations	(88,571,223)	-	(88,571,223)	-		(88,571,223)	(86,435,401)		2,135,822	98 %	98 %
Borrowing	(1,640,000,000)	(500,000,000)	(2,140,000,000)	-		(2,140,000,000)	(2,126,587,938)		13,412,062	99 %	130 %
Internally generated funds	(700,643,777)	494,032,857	(206,610,920)	-		(206,610,920)	(185,934,530)		20,676,390	90 %	27 %
Total sources of capital funds	(4,353,046,899)	(260,821,396)	(4,613,868,295)	-		(4,613,868,295)	(4,550,503,401)		63,364,894	99 %	105 %

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Original budget (i.t.o. s28 and s31 of the MFMA)	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. of the MFMA)	Virement (i.t.o. s31 council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	2,771,287,101	375,552,062	3,146,839,163		-	3,146,839,163	3,231,799,440		84,960,277	103 %	117 %
Net cash from (used) investing	(3,770,106,496)	(436,920,005)	(4,207,026,501)		-	(4,207,026,501)	(4,565,218,876)		(358,192,375)	109 %	121 %
Net cash from (used) financing	1,342,638,859	439,605,283	1,782,244,142		-	1,782,244,142	1,742,612,289		(39,631,853)	98 %	130 %
Net increase/(decrease) in cash and cash equivalents	343,819,464	378,237,340	722,056,804		-	722,056,804	409,192,853		(312,863,951)	57 %	119 %
Cash and cash equivalents at the beginning of the year	1,219,703,381	(256,099,825)	963,603,556		-	963,603,556	967,778,428		4,174,872	100 %	79 %
Cash and cash equivalents at year end	1,563,522,845	122,137,515	1,685,660,360		-	1,685,660,360	1,376,971,281		(308,689,079)	82 %	88 %

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure R	Expenditure authorised in terms of section 32 of MFMA R	Balance to be recovered R	Restated audited outcome R
Group - 2012				
Financial Performance				
Property rates				3,357,657,236
Service charges				10,643,372,054
Investment revenue				52,933,829
Transfers recognised - operational				2,322,772,413
Other own revenue				2,085,493,338
Total revenue (excluding capital transfers and contributions)				18,462,228,870
Employee costs	-	-		- (4,815,285,269)
Remuneration of councillors	1,142,933	1,142,933		- (91,453,370)
Debt impairment	-	-		- (903,949,770)
Depreciation and asset impairment	-	-		- (1,063,046,364)
Finance charges	-	-		- (633,215,352)
Materials and bulk purchases	479,665,145	479,665,145		- (6,172,120,339)
Transfers and grants	7,214,198	7,214,198		- (21,495,798)
Other expenditure	-	-		- (4,129,504,854)
Total expenditure	488,022,276	488,022,276		- (17,830,071,116)
Surplus/(Deficit)				632,157,754
Transfers recognised - capital				1,224,657,073
Contributions recognised - capital and contributed assets				117,380,914
Surplus (Deficit) after capital transfers and contributions				1,974,195,741
Surplus/(Deficit) for the year				1,974,195,741

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure R	Expenditure authorised in terms of section 32 of MFMA R	Balance to be recovered R	Restated audited outcome v
Capital expenditure and funds sources				
Total capital expenditure				3,115,999,216
Sources of capital funds				
Transfers recognised - capital				1,224,657,073
Public contributions and donations				117,380,914
Borrowing				1,773,961,229
Total sources of capital funds				3,115,999,216
Cash flows				
Net cash from (used) operating				4,041,592,709
Net cash from (used) investing				(4,699,770,959)
Net cash from (used) financing				715,515,116
Net increase/(decrease) in cash and cash equivalents				57,336,866
Cash and cash equivalents at the beginning of the year				910,441,560
Cash and cash equivalents at year end				967,778,426

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Original budget (i.t.o. s28 and s31 of the MFMA)	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. of the MFMA)	Virement (i.t.o. s31 council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Municipality - 2013											
Financial Performance											
Property rates	3,737,900,000	200,000,000	3,937,900,000		-	3,937,900,000	3,999,585,718		61,685,718	102 %	107 %
Service charges	12,761,383,400	(120,914,046)	12,640,469,354		-	12,640,469,354	11,669,883,942		(970,585,412)	92 %	91 %
Investment revenue	45,378,679	1,082,246	46,460,925		-	46,460,925	62,236,528		15,775,603	134 %	137 %
Transfers recognised - operational	2,553,116,080	102,241,884	2,655,357,964		-	2,655,357,964	2,592,462,962		(62,895,002)	98 %	102 %
Other own revenue	1,312,236,079	36,172,794	1,348,408,873		-	1,348,408,873	1,319,792,015		(28,616,858)	98 %	101 %
Total revenue (excluding capital transfers and contributions)	20,410,014,238	218,582,878	20,628,597,116		-	20,628,597,116	19,643,961,165		(984,635,951)	95 %	96 %
Employee costs	(5,528,823,599)	169,804,391	(5,359,019,208)		-	(5,359,019,208)	(5,225,703,079)		133,316,129	98 %	95 %
Remuneration of councillors	(99,241,121)	10,300,395	(88,940,726)		-	(88,940,726)	(92,573,294)		3,632,568	(3,632,568)	104 %
Debt impairment	(836,306,245)	(3,954,298)	(840,260,543)			(840,260,543)	(874,303,916)		103,757,610	(34,043,373)	104 %
Depreciation and asset impairment	(955,562,153)	-	(955,562,153)			(955,562,153)	(1,105,657,272)		153,210,103	(150,095,119)	116 %
Finance charges	(780,707,913)	151,638,313	(629,069,600)		-	(629,069,600)	(739,419,952)		110,005,231	(110,350,352)	118 %
Materials and bulk purchases	(7,108,824,800)	37,002,466	(7,071,822,334)		-	(7,071,822,334)	(6,793,054,563)		-	278,767,771	96 %
Transfers and grants	(21,201,500)	-	(21,201,500)		-	(21,201,500)	(17,290,290)		-	3,911,210	82 %
Other expenditure	(5,368,568,759)	(336,649,953)	(5,705,218,712)		-	(5,705,218,712)	(5,060,105,463)		-	645,113,249	89 %
Total expenditure	(20,699,236,090)	28,141,314	(20,671,094,776)		-	- (20,671,094,776)	(19,908,107,829)		370,605,512	762,986,947	96 %
Surplus/(Deficit)	(289,221,852)	246,724,192	(42,497,660)		-	(42,497,660)	(264,146,664)		(221,649,004)	622 %	91 %
Transfers recognised - capital	1,923,831,899	254,854,254	2,178,686,153		-	2,178,686,153	2,151,545,533		(27,140,620)	99 %	112 %
Surplus (Deficit) after capital transfers and contributions	1,634,610,047	501,578,446	2,136,188,493		-	2,136,188,493	1,887,398,869		(248,789,624)	88 %	115 %
Surplus/(Deficit) for the year	1,634,610,047	501,578,446	2,136,188,493		-	2,136,188,493	1,887,398,869		(248,789,624)	88 %	115 %

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Original budget (i.t.o. s28 and s31 of the MFMA)	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. of the MFMA)	Virement (i.t.o. s31 council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funds sources											
Total capital expenditure	4,353,046,899	260,821,396	4,613,868,295		-	4,613,868,295	4,550,503,401		(63,364,894)	99 %	105 %
Sources of capital funds											
Transfers recognised - capital	(1,923,831,899)	(254,854,254)	(2,178,686,153)		-	(2,178,686,153)	(2,151,545,533)		27,140,620	99 %	112 %
Public contributions and donations	(88,571,223)	-	(88,571,223)		-	(88,571,223)	(86,435,401)		2,135,822	98 %	98 %
Borrowing	(1,640,000,000)	(500,000,000)	(2,140,000,000)		-	(2,140,000,000)	(2,126,587,938)		13,412,062	99 %	130 %
Internally generated funds	(700,643,777)	494,032,858	(206,610,919)		-	(206,610,919)	(185,934,529)		20,676,390	90 %	27 %
Total sources of capital funds	(4,353,046,899)	(260,821,396)	(4,613,868,295)		-	(4,613,868,295)	(4,550,503,401)		63,364,894	99 %	105 %
Cash flows											
Net cash from (used) operating	2,759,351,255	326,314,692	3,085,665,947		-	3,085,665,947	3,213,895,656		128,229,709	104 %	116 %
Net cash from (used) investing	(3,760,899,417)	(441,331,319)	(4,202,230,736)		-	(4,202,230,736)	(4,562,655,593)		(360,424,857)	109 %	121 %
Net cash from (used) financing	1,350,523,482	472,422,925	1,822,946,407		-	1,822,946,407	1,742,927,672		(80,018,735)	96 %	129 %
Net increase/(decrease) in cash and cash equivalents	348,975,320	357,406,298	706,381,618		-	706,381,618	394,167,735		(312,213,883)	56 %	113 %
Cash and cash equivalents at the beginning of the year	1,183,761,525	(256,102,825)	927,658,700		-	927,658,700	927,954,032		295,332	100 %	78 %
Cash and cash equivalents at year end	1,532,736,845	101,303,473	1,634,040,318		-	1,634,040,318	1,322,121,767		311,918,551	81 %	86 %

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure R	Expenditure authorised in terms of section 32 of MFMA R	Balance to be recovered R	Restated audited outcome R
Municipality - 2012				
Financial Performance				
Property rates				3,357,774,830
Service charges				10,651,601,683
Investment revenue				52,185,100
Transfers recognised - operational				2,322,772,413
Other own revenue				2,060,278,572
Total revenue (excluding capital transfers and contributions)				18,444,612,598
Employee costs	-	-		- (4,739,894,487)
Remuneration of councillors	1,142,933	1,142,933		- (91,453,370)
Debt impairment	-	-		- (821,215,068)
Depreciation and asset impairment	-	-		- (1,060,301,357)
Finance charges	-	-		- (632,350,791)
Materials and bulk purchases	479,665,145	479,665,145		- (6,258,775,168)
Transfers and grants	7,214,198	7,214,198		- (21,495,798)
Other expenditure	-	-		- (4,180,161,516)
Total expenditure	488,022,276	488,022,276		- (17,805,647,555)
Surplus/(Deficit)				638,965,043
Transfers recognised - capital				1,224,657,073
Contributions recognised - capital and contributed assets				117,380,914
Surplus (Deficit) after capital transfers and contributions				1,981,003,030
Surplus/(Deficit) for the year				1,981,003,030

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Statement of comparison of budget and actual amounts

	Reported unauthorised expenditure R	Expenditure authorised in terms of section 32 of MFMA R	Balance to be recovered R	Restated audited outcome v
Capital expenditure and funds sources				
Total capital expenditure				3,115,999,216
Sources of capital funds				
Transfers recognised - capital				1,224,657,073
Public contributions and donations				117,380,914
Borrowing				1,773,961,229
Total sources of capital funds				3,115,999,216
Cash flows				
Net cash from (used) operating				4,051,419,020
Net cash from (used) investing				(4,699,168,815)
Net cash from (used) financing				716,123,515
Net increase/(decrease) in cash and cash equivalents				68,373,720
Cash and cash equivalents at the beginning of the year				859,580,312
Cash and cash equivalents at year end				927,954,032

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Basis of preparation of annual financial statements

The consolidated annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003). The reporting framework is as prescribed by the Accounting Standards Board in Directive 5.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in the note "Changes in accounting policy", if applicable.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements are the consolidated annual financial statements of the group presented as those of a single entity.

Control exists when the municipality has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The annual financial statements of the municipality and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the municipality.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

The term "economic entity" is used in GRAP 6 to define, for financial reporting purposes, a group of entities comprising the controlling entity and any controlled entities. Other terms sometimes used to refer to an economic entity include "administrative entity", "financial entity", "consolidated entity" and "group". For ease of reference and understanding the term "group" is used to refer to the "economic entity" and "municipality" is used to refer to the "controlling entity" in these consolidated annual financial statements.

1.2 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The entity accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- identifying the acquirer;
- determining the acquisition date;
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the entity as acquirer recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the entity as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

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Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Operating leases:

The entity as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The entity as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The entity as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The entity as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions

At the acquisition date, the entity as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The entity as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The entity as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the entity as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The entity as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the entity as acquirer takes into account the terms of the lease.

Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the entity as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

Exceptions to both the recognition and measurement principles

Employee benefits:

The entity as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

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Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the entity as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The entity as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the entity as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Exceptions to the measurement principle

Reacquired rights:

The entity as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Assets held for sale:

The entity as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations at fair value less costs to sell.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (If any)

The entity as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:

- the aggregate of:
- (i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value (see paragraph .66);
- (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
- (iii) in a transfer of functions achieved in stages (see paragraphs .70 and .71), the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the entity as acquirer, the liabilities incurred by the entity as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

The consideration the entity as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The entity as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

The entity as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial Instruments, or other applicable Standard of GRAP. The entity as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

A transfer of functions achieved in stages

An entity as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

In a transfer of functions achieved in stages, the entity as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the entity as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the entity as acquirer had disposed directly of the previously held residual interest.

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Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity as acquirer retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the entity as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the entity as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Determining what is part of the transfer of functions transaction

The entity as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the entity as acquirer identifies any amounts that are not part of what the entity as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the entity as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Effective settlement of a pre-existing relationship between the entity as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the entity as acquirer and acquiree may be contractual or non-contractual.

If the transfer of functions in effect settles a pre-existing relationship, the entity as acquirer recognises a gain or loss, measured as follows:

- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of (i) and (ii):
 - (i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the entity as acquirer when compared with terms for current market transactions for the same or similar items.
 - (ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the entity as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

A pre-existing relationship may be a contract that the entity as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the entity as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the entity as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The entity as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement and accounting

In general, an entity as acquirer subsequently measures and accounts for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. An entity as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

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Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the entity as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:

- the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Indemnification assets

At the end of each subsequent reporting period, the entity as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The entity as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Contingent consideration

Some changes in the fair value of contingent consideration that the entity as acquirer recognises after the acquisition date may be the result of additional information that the entity as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The entity as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:

- Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
- Contingent consideration classified as an asset or a liability that:
 - (i) is a financial instrument and is within the scope of the Standard of GRAP on Financial Instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
 - (ii) is not within the scope of the Standard of GRAP on Financial Instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets or other Standards of GRAP as appropriate.

1.3 Presentation currency

The consolidated annual financial statements are presented in South African Rand, which is the functional currency of the group and amounts have been rounded to the nearest Rand.

1.4 Going concern assumption

These consolidated annual financial statements have been prepared on a going concern basis, i.e. the assumption that the group will continue to operate as a going concern for at least the next 12 months. Refer to note 66.

1.5 Investment property

Investment property, is property held to earn rental revenue or for capital appreciation or both.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the group, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

Land held for a currently undetermined future use is recognised as investment property.

The gain or loss on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in the surplus or deficit for the year.

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Accounting Policies

1.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are initially measured at cost or where assets have been acquired by grant, donation or other non-exchange transaction the cost is considered to be the fair value of the asset at date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment for purposes of determining the amount of depreciation for the asset to which it relates.

The useful lives of items of property, plant and equipment were assessed as follows:

Asset category	Average useful life (Years)
Infrastructure: Electricity	
• Cables	20-50
• Control centre	20-45
• Fibre optic cables	25-50
• High mast lighting	10-45
• General electrical equipment	30-40
• Lines: Overhead	20-50
• Lines: Underground	25-50
• Meters: Pre-paid	10-20
• Meters: Credit	20-30
• Pole/structure	20-35
• Substations: Structure	20-30
• Substations: Civil	20-50
• Substations: Equipment	20-50
• Substations: Switchgear	20-50
• Transformers	25-50
Infrastructure: Water	
• Meters	10-20
• Bulk meters	40-120
• Supply/reticulation	40-120
• Pump station: Structure	30-55
• Pump station: Civil	30-55
• Pump station: Electrical	15-40
• Pump station: Mechanical	15-40
• Pump station: Perimeter protection	10-25
• Pump station: Pipe works	40-120
• Pressure relief valve station: Structure	30-55
• Pressure relief valve station: Civil	30-55
• Pressure relief valve station: Electrical	15-40
• Pressure relief valve station: Metal work	10-30
• Pressure relief valve station: Perimeter protection	10-25
• Pressure relief valve station: Pipe works	40-120
• Boreholes: Structure	30-50
• Boreholes: Civil	20-55
• Boreholes: Electrical	15-40
• Boreholes: Mechanical	15-40
• Boreholes: Perimeter protection	10-25
• Boreholes: Pipe works	40-120
• Water treatment plant: Structure	30-50
• Water treatment plant: Civil	30-55
• Water treatment plant: Electrical	15-40
• Water treatment plant: Mechanical	15-40
• Water treatment plant: Perimeter protection	10-25
• Water treatment plant: Pipe works	40-120

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Accounting Policies

1.6 Property, plant and equipment (continued)

• Service reservoir: Structure	30-50
• Service reservoir: Civil	30-55
• Service reservoir: Electrical	15-40
• Service reservoir: Mechanical	15-40
• Service reservoir: Pipe works	40-120
• Dams/Weirs/Fountains: Structure	30-50
• Dams/Weirs/Fountains: Civil	30-55
• Dams/Weirs/Fountains: Electrical	15-40
• Dams/Weirs/Fountains: Mechanical	15-40
• Dams/Weirs/Fountains: Perimeter protection	10-25
• Dams/Weirs/Fountains: Pipe works	40-120
Sewerage	
• Bulk meter	40-120
• Outfall sewer: Civil	30-55
• Outfall sewer: Electrical	15-40
• Sewerage pump station: Structure	30-55
• Sewerage pump station: Electrical	15-40
• Sewerage pump station: Mechanical	15-40
• Sewerage pump station: Perimeter protection	10-25
• Sewerage pump station: Pipe works	40-120
• Sewer reticulation: Structure	30-55
• Sewer reticulation: Pipe works	40-120
• Waste water treatment plant: Structure	30-55
• Waste water treatment plant: Electrical	15-40
• Waste water treatment plant: Mechanical	15-40
• Waste water treatment plant: Perimeter protection	10-25
• Waste water treatment plant: Pipe works	40-120
• Reservoir	30-50
Buildings	
• Dwellings (hostels, housing schemes, residences, etc)	25-50
• Non-residential (agricultural, clinics, fire stations, museums, etc)	25-50
• Non-residential: Perimeter protection	10-45
Landscaping	
• Landscaping	10-15
Solid waste disposal:	
• Tip site: Structure	25-30
Railways:	
• Sidings	25-30
Roads:	
• Bridges: Vehicle (concrete)	50-80
• Bridges: Pedestrian (concrete)	50-80
• Storm water: Culverts	25-40
• Storm water: Inlet, junction point, outlet	25-50
• Storm water: Pipes	25-50
• Roads: Kerb and channels	20-50
• Roads: Municipal roads- butimen layer	20-45
• Roads: Municipal roads - butimen surface	10-45
• Roads: Municipal roads -mixed surface layer	20-45
• Roads: Municipal roads - mixed surface surface	10-45
• Roads: Municipal roads - paving blocks layer	10-45
• Roads: Municipal roads - paving blocks surface	20-45
• Roads: Municipal roads - unpaved layer	10-45
• Roads: Municipal roads - unpaved surface	10-45
• Roads: Overhead traffic signs	15-20
• Roads: Street lighting	10-50
• Roads: Traffic signals	15-20
• Roads: Traffic signs	5-30
• Roads: Tunnel	50-80
• Roads: Municipal roads (butimen surface)	30-50
Cemeteries	
• Cemeteries	25-30
Other machinery and equipment:	
• Irrigation equipment	10-15
• Cold room	10-15
• Telecommunication equipment	3-30

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Accounting Policies

1.6 Property, plant and equipment (continued)

Computer equipment:

- Networks 3-15

Heritage assets:

- Historical buildings 25-30

Other:

- Specialist vehicles 8-20
- Other vehicles 8-35
- Office equipment 5-20
- Furniture and fittings 5-15
- Watercraft 5-10
- Bins and containers 5-15
- Specialist plant and equipment 10-25
- Other plant and equipment 2-20
- Landfill sites and quarries 1-50
- Books 5-30
- Library material 5-30

Leased assets

- Vehicles, equipment, etc 3-20

Livestock

- Livestock 8-20

Community assets

- Recreation facilities 15-45
- Playing apparatus 5-35

Subsequent expenditure:

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the group. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

Depreciation:

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use.

Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimate in surplus or deficit for the year. The actual useful lives of the assets, residual values and depreciation method are assessed annually and might vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance program are taken into account.

Impairment of property, plant and equipment:

The group tests for impairment where there is an indication that an asset might be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to surplus or deficit for the year.

Disposal of property, plant and equipment:

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in surplus or deficit for the year.

Land

Land is not depreciated as it is deemed to have an indefinite useful life.

Incomplete construction work (Assets under construction)

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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Accounting Policies

1.7 Heritage assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a group's operations that is shown as a single item for the purpose of disclosure in the consolidated annual financial statements.

Recognition

The group recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the group, and the cost or fair value of the asset can be measured reliably.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The group derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The group changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with the transitional provision as per Directive 3 of the GRAP Reporting Framework.

According to the transitional provisions, the group is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed in note 16. The transitional provision expires on 30 June 2015.

In accordance with the transitional provision as per Directive 3 of the GRAP Reporting Framework, where heritage assets were acquired through a transfer of functions, the group is not required to measure those heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and heritage assets are recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the group need not comply with the Standards of GRAP on the following (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

1.8 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line-basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the group and have an probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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Accounting Policies

1.8 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.9 Biological assets (game)

Biological assets (game) are measured at their fair value less point-of-sale costs.

The fair value of livestock (game) is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets (game) or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets (game) is included in surplus or deficit for the period in which it arises. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

1.10 Non-current and current assets held for sale and disposal groups

Non-current and current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current and current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11 Inventories

Inventories (consumable stores, raw materials, work in progress and finished goods) are measured at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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1.11 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to the development.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from surplus or deficit for the year to the Capital Replacement Reserve in terms of the implementation guidelines on GRAP. These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to the CRR is based on the group's need to finance future capital projects included in the Integrated Development Plan. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the group.
- Interest earned on the CRR investment is recorded as part of total interest earned in surplus or deficit for the year.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the group and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The capitalisation reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in surplus or deficit for the year.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Capitalisation reserve

On the implementation of GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12

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Accounting Policies

1.12 Internal reserves (continued)

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the government grant recorded as revenue in surplus or deficit in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this approach is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

Self insurance reserve

A Self-insurance Reserve was established and, subject to external insurance where deemed necessary, covers claims that might occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in surplus or deficit for the year. These premiums do not affect the Self-insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in surplus or deficit for the year.
- Claims received to meet repairs of damages on assets are reflected as income in surplus or deficit for the year.

The Self-insurance reserve is based on recognised insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self-insurance reserve
- The following liabilities are taken into account in determining this surplus capacity:
Reported known outstanding claims and statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
- Probability and quantification of a catastrophic loss
- Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the Self-insurance reserve over an agreed period of time.
- Spread the shortfall over a 5-year period (in terms of the Long-Term Insurance Strategy)
- Adjust for inflation with the agreed relevant indices.
- Determine the annual premium contribution to reach the target capacity over a five-year period.
- Apply a probability and affordability factor to the ideal premium contribution to determine the budgeted premium contribution over a five-year period.

Compensation for occupational injuries and diseases (COID) reserve

The City of Tshwane has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the City of Tshwane established a COID Reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve are based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R312 480 per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in surplus or deficit for the year. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

Donations and public contributions reserve

Revenue received from donations and public contributions may be transferred to the Capital replacement reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

No mention is made in GRAP 1 of any reserves and therefore the balance of this reserve was transferred to the accumulated surplus in 2011/12.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.13 Housing development fund

Section 15(5) and 16 of the Housing Act (Act 107 of 1997) , which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, *inter alia*, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development subject to the approval of the Provincial MEC responsible for housing. Loans from National and Provincial Government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund must have its own separate bank account OR allocated investments and must be backed by cash.
- Any contributions to or from the fund must be shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any cash-backed surplus or deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

1.14 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 55.

• **Clearing of alien vegetation**

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established to address the backlogs that exist in the clearing of alien plants.

• **Cleaning up of illegal dumping**

The City of Tshwane is cleaning up illegal dumping on an ongoing basis as part of maintenance. Therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

• **Landfill sites**

The City of Tshwane has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision was established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

• **Quarries**

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), section 52(2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

1.15 Retirement benefits

Pension, Provident and Retirement Funds

The City of Tshwane and its employees contribute to various pension, provident and retirement funds and its councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds.

Current contributions are charged against the relevant expense account of the City of Tshwane at a percentage of the basic salary paid to employees, or allowances in the case of councillors. Pension contributions in respect of employees who were not members of a pension fund (e.g. gratuity) are recognised as an expense when incurred.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.15 Retirement benefits (continued)

The Tshwane Pension fund is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service cost.

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that the assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of IAS 19.

Defined contribution plans: Sandspruit Works Association

Sandspruit Works Association has a defined contribution plan registered with Alexander Forbes Retirement Fund (Registration nr 12/8/34766). Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Medical Aid: Continued members

The City of Tshwane provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality.

According to the rules of the medical aid funds associated with the municipality, when a member, who joined the organisation under the current conditions of service, retires is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the basis of the Projected Unit Credit Method prescribed by IAS 19. Future benefits values are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognised immediately.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The group recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

The entity leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. The group will not incur a foreign currently lease liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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Accounting Policies

1.16 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.17 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.17 Financial instruments (continued)

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.17 Financial instruments (continued)

Classification

The group has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer debtors	Financial asset measured at amortised cost
Other debtors	Financial asset measured at amortised cost
Long-term receivables:	
Housing loans	Financial asset measured at amortised cost
Loans to sport clubs	Financial asset measured at amortised cost
Sale of land	Financial asset measured at amortised cost
Arrangement debtors	Financial asset measured at amortised cost
Cash	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Interest rate swap	Financial asset measured at fair value

The group has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Term loans	Financial liability measured at amortised cost
Local registered stock	Financial liability measured at amortised cost
Annuity loans	Financial liability measured at amortised cost
Municipal bonds	Financial liability measured at amortised cost
Trade payables:	
Payables from exchange transactions	Financial liability measured at amortised cost
Retention creditors	Financial liability measured at amortised cost
Deposits	Financial liability measured at amortised cost
Deferred operating lease liability	Financial liability measured at amortised cost
VAT	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Unspent grants	Financial liability measured at amortised cost
Lease liabilities	Financial liability measured at amortised cost

Initial recognition

The group recognises a financial asset or a financial liability in its statement of financial position when the group becomes a party to the contractual provisions of the instrument.

The group recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The group measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The group measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost (if applicable)

All financial assets measured at amortised cost or cost are subject to an impairment review.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.17 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The group does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the group cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the group reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The group assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The group derecognises financial assets using trade date accounting.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.17 Financial instruments (continued)

The group derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the group, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the group :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the group transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the group has retained substantially all the risks and rewards of ownership of the transferred asset, the group continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the group recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The group removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the group does not offset the transferred asset and the associated liability.

City of Tshwane Metropolitan Municipality

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1.18 Translation of foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the entity (i.e. SA Rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The group will not incur a foreign currency liability other than that allowed by the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

1.19 Revenue from exchange transactions

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the group and these benefits can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the group directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgment in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

Measurement

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges

Service charges relating to electricity, water and sanitation are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed (up to a maximum of 3 months). The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement.

Housing rental and installments

Income in respect of housing rental and installments are accrued monthly in advance. Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised on a time proportionate basis.

Collection charges

Collection charges are recognised when such amounts are incurred/earned.

Interest, royalties and dividends

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality or municipal entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality or municipal entity either receives value from another municipality or municipal entity without directly giving approximately equal value in exchange, or gives value to another municipality or municipal entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the group.

When, as a result of a non-exchange transaction, the municipality or municipal entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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Accounting Policies

Taxes

The group recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the group controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The group analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the group recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the group.

Where the group collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality or municipal entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality or municipal entity and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised but are disclosed in the notes to the financial statements.

Services in-kind are recognised as revenue and as assets.

Concessionary loans received/granted

A concessionary loan is a loan granted to or received by an municipality or municipal entity on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality or municipal entity recognises revenue as and when it satisfies the conditions of the loan agreement.

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Accounting Policies

1.21 Grants, donations and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality or municipal entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Unconditional grants and receipts are recognised upon receipt.

1.22 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Value added tax

The group accounts for Value Added Tax on the cash basis.

1.24 Segmental information

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

Segmental information on property, plant and equipment, as well as income and expenditure is set out in the appendices which is determined by National Treasury. These appendices does not form part of the audited financial statements but is supplementary information.

1.25 Grants-in aid (Expense)

The group annually awards grants to individuals and organisations based on merit. When making these transfers, the group does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.26 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending of a vote or a main division within a vote; and
- Expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the group's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in surplus or deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in surplus or deficit for the year.

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which is made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in surplus or deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in surplus or deficit.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.29 Comparative figures

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

The comparative figures (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards.

1.30 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused Secondary Tax on Companies (STC) credits to the extent that it is probable that a future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)cB(i)(ff) of the Income Tax Act.

Sandspruit Works Association and Housing Company Tshwane are exempt from tax in terms of section 10(1)cA(ii) of the Income Tax Act. Tshwane Economic Development Agency (TEDA) is in the process of registering for tax.

1.31 Significant judgements and sources of estimation uncertainty

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgemental or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

Trade receivables /Investments and/or loans and receivables

The group assesses its trade receivables, investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgemental has to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

Financial assets

The group follows the guidance of GRAP 104 to determine when a financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

City of Tshwane Metropolitan Municipality

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Accounting Policies

1.31 Significant judgements and sources of estimation uncertainty (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions are raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 44.

Effective interest rate

The group uses the weighted average interest rate on external borrowings to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

1.32 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.33 Impairment of non-cash-generating assets

The group has implemented GRAP 21 and 26 on the impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during the financial year under review were treated according to GRAP 21: Impairment of non-cash generating assets. Although the group hold material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the group's constitutional mandate.

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Accounting Policies

Cash-generating assets are those assets held by the group with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the group; or
- (b) the number of production or similar units expected to be obtained from the asset by the group.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The group assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the group estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the group also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the group would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an over designed or overcapacity asset. Over designed assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

Accounting Policies

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the group recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The group assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the group estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.34 Budget information

The group are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the group shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The consolidated annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts (Appropriation Statement in terms of Circular 67 of National Treasury).

1.35 Related parties

The group operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the group, including those charged with the governance of the group in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the group.

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Notes to the Consolidated Annual Financial Statements

Group	Municipality
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact on financial statements:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Comparatives restated - reclassification
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	Separate appropriation statement included
• GRAP 103: Heritage Assets	01 April 2012	Change in accounting policy adopted transitional provisions
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	More disclosure
• GRAP 26: Impairment of cash-generating assets	01 April 2012	More disclosure
• GRAP 104: Financial Instruments	01 April 2012	More disclosure and new categories

2.2 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the group. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the group's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

The adoption of this standard is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires a group to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a group consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP 25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a group in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the group that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which a group provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits:
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2013.

The group expects to adopt the standard for the first time in the 2014 consolidated annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers definitions, identifying the acquirer and transferor, determining the transfer date, assets acquired or transferred and liabilities assumed or relinquished, accounting by the acquirer and transferor, disclosure, transitional provisions as well as the effective date of the standard.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality and group are unable to reliably estimate the impact of the amendment on the consolidated annual financial statements as it will only be applicable if such a transfer of functions occurs.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality and group are unable to reliably estimate the impact of the amendment on the consolidated annual financial statements as it will only become applicable if such a merger occurs.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's consolidated annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual consolidated annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, *inter alia*, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The adoption of this standard is not expected to impact on the results of the municipality or group but may result in more disclosure than is currently provided in the consolidated annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107. This statement will only impact on the consolidated financial statements if applicable.

The group expects to adopt the interpretation for the first time in the 2015 consolidated annual financial statements.

The municipality and group are unable to reliably estimate the impact of the interpretation on the consolidated annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

The group expects to adopt the interpretation for the first time in the 2015 consolidated annual financial statements.

The municipality and group are unable to reliably estimate the impact of the interpretation on the consolidated annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

An entity shall apply this amendment for consolidated annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. This statement will only impact on the consolidated financial statements if applicable.

The group expects to adopt the amendment for the first time in the 2015 consolidated annual financial statements.

The municipality and group are unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for consolidated annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. This statement will only impact on the consolidated financial statements if applicable.

The group expects to adopt the amendment for the first time in the 2015 consolidated annual financial statements.

The municipality and group are unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The group expects to adopt the amendment for the first time in the 2015 consolidated annual financial statements.

The municipality and group are unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment's is for years beginning on or after 01 April 2013

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group but may result in more disclosure than is currently provided in the consolidated annual financial statements.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously.

Amendments were made to Definitions.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The municipality and group are unable to reliably estimate the impact of the amendment on the consolidated annual financial statements.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to measurement after recognition, derecognition and disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The group expects to adopt the amendment for the first time in the 2014 consolidated annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality or group, but may result in more disclosure than is currently provided in the consolidated annual financial statements.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. During the 2011/12 financial year the municipality used GRAP 106 to formulate and accounting policy when the incorporation of the Local Municipalities of Kungwini and Nokeng-tsa-Taemane and the Metsweding District Municipality took place.

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
3. Housing development fund				
Unappropriated surplus	225,449,115	197,857,941	225,449,115	197,857,941
Less: Loans extinguished by Government on 1 April 1998	69,006,463	69,006,463	69,006,463	69,006,463
Housing development fund	<u>156,442,652</u>	<u>128,851,478</u>	<u>156,442,652</u>	<u>128,851,478</u>
The housing development fund is represented by the following assets and liabilities				
Housing selling scheme loans	19,649,214	20,289,707	19,649,214	20,289,707
Housing debtors	35,360,163	31,597,589	35,360,163	31,597,589
Bank and cash	101,433,275	76,964,182	101,433,275	76,964,182
Housing development fund assets	<u>156,442,652</u>	<u>128,851,478</u>	<u>156,442,652</u>	<u>128,851,478</u>
4. Long-term liabilities				
Summary of Long Term Borrowings:				
Term Loans	134,430,482	134,971,505	131,311,171	131,536,811
Local registered stock	100,006,000	98,052,671	100,005,000	98,051,671
Municipal Bonds	2,176,860,970	-	2,176,860,970	-
Annuity loans	5,890,739,012	6,201,863,690	5,890,739,012	6,201,863,690
	<u>8,302,036,464</u>	<u>6,434,887,866</u>	<u>8,298,916,153</u>	<u>6,431,452,172</u>
Held at amortised cost				
Term Loans				
Development Bank of South Africa (1-02)	79,625,804	79,718,642	79,625,804	79,718,642
Secured 20 year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 October 2019. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
Development Bank of South Africa (1-400)	51,685,367	51,818,169	51,685,367	51,818,169
Secured 20 year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 September 2018. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
National Housing Finance Corporation (Housing Company Tshwane)	3,119,311	3,434,694	-	-
This loan is secured, bears interest at 14% per annum and is repayable in 129 monthly installments of R69 792. The loan is secured by a mortgage bond over the investment property.				

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
4. Long-term liabilities (continued)				
Municipal Bonds				
Standard Bank (1-1900)	573,771,397	-	573,771,397	-
Unsecured 15 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 2 April 2028. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
Standard Bank (1-1901)	848,229,984	-	848,229,984	-
Unsecured 10 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 2 April 2022. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
Standard Bank (1-1950)	754,859,589	-	754,859,589	-
Unsecured 15 year bond. Fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 5 June 2028. A sinking fund investment has been made for the purpose of providing for the capital repayment at the date of redemption.				
Local registered stock				
First Rand Bank Ltd 2	100,000,000	98,045,858	100,000,000	98,045,858
Secured bond paying fixed interest semi-annually. A security sinking fund investment was made which together with interest capitalised, will be utilised to redeem on 30 June 2014.				
Development Bank of South Africa (1-1250)	5,000	5,813	5,000	5,813
Unsecured bond paying fixed interest semi-annually.				
TEDA Municipal Entity Shares	1,000	1,000	-	-
Share capital in municipal entity (loan bears no interest and has no fixed terms of repayment)				
Annuity loans				
Standard Bank (1-1300)	924,186,559	963,546,944	924,186,559	963,546,944
Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.				
Development Bank of South Africa (1-1250)	-	355,204,913	-	355,204,913
Unsecured variable interest rate 15 year loan repayable semi-annually installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025. Part of the restructuring of loans during 2012/13.				

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
4. Long-term liabilities (continued)				
Development Bank of South Africa (1-951)				
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029. Part of the restructuring of loans during 2012/13.				
Development Bank of South Africa (1-950)	669,603,702		-	669,603,702
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.	140,445,310	144,950,286	140,445,310	144,950,286
Development Bank of South Africa (1-851)				
Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	95,171,972	101,113,389	95,171,972	101,113,389
Development Bank of South Africa (1-800)				
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	196,699,843	200,957,380	196,699,843	200,957,380
Development Bank of South Africa (1-700)				
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	89,317,676	92,657,256	89,317,676	92,657,256
Development Bank of South Africa (1-701)				
Unsecured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.	198,216,923	202,191,994	198,216,923	202,191,994
Development Bank of South Africa (1-501)				
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	303,167,217	325,146,835	303,167,217	325,146,835
Development Bank of South Africa (1-500)				
Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.	66,857,177	73,031,583	66,857,177	73,031,583

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
4. Long-term liabilities (continued)				
Development Bank of South Africa (1-200) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.	200,094,133	216,299,390	200,094,133	216,299,390
INCA (1-100) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2020.	144,728,456	158,674,099	144,728,456	158,674,099
Development Bank of South Africa (1-52) Secured fixed interest 20 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 September 2018.	164,217,075	183,239,644	164,217,075	183,239,644
Development Bank of South Africa (1-51) Unsecured fixed interest 10 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2012. Fully redeemed during 2012/13.	-	4,299,892	-	4,299,892
Development Bank of South Africa (1-50) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2018.	174,689,107	194,376,969	174,689,107	194,376,969
iVuzi Investments (1-550) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.	142,959,167	153,922,487	142,959,167	153,922,487
iVuzi Investments (1-450) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.	57,378,467	61,719,094	57,378,467	61,719,094
iVuzi Investments (1-300) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.	68,925,367	74,627,296	68,925,367	74,627,296
iVuzi Investments (1-150) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.	33,004,871	36,007,660	33,004,871	36,007,660

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
4. Long-term liabilities (continued)				
iVuzi Investments (1-0) Unsecured fixed interest 15 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2019.	11,949,160	13,294,498	11,949,160	13,294,498
Nedbank (1-1150) Unsecured variable interest rate 10 year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 16 June 2020.	282,046,868	312,167,474	282,046,868	312,167,474
Nedbank (1-1100) Unsecured variable interest rate 10 year loan repayable semi-annually in installments of interest and capital with interest payable on reducing balance until capital is paid off on 18 May 2020..	283,391,299	313,853,431	283,391,299	313,853,431
Nedbank (1-852) Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	126,961,590	134,590,448	126,961,590	134,590,448
ABSA Bank Ltd (1-850) Unsecured fixed interest 13 year loan repayable semi-annually in equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.	184,671,403	196,024,229	184,671,403	196,024,229
Development Bank of South Africa (1-1351) Unsecured fixed interest rate loan repayable in monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2013. Loan taken over from Nokeng Municipality on 1 July 2011. Fully redeemed during 2012/13.	-	345,345	-	345,345
Development Bank of South Africa (1-1352) Unsecured fixed interest rate loan repayable in monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 31 August 2016. Loan taken over from Nokeng Municipality on 1 July 2011.	688,394	878,718	688,394	878,718
Development Bank of South Africa (1-1400) Unsecured fixed interest rate loan repayable in monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2016. Loan taken over from Kungwini Municipality on 1 July 2011.	14,668,980	17,933,306	14,668,980	17,933,306

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
4. Long-term liabilities (continued)				
Standard Bank - Magalies Water (1-1401) Unsecured fixed interest rate loan repayable in monthly equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 September 2014. Loan taken over from Kungwini Municipality on 1 July 2011.	692,701	975,303	692,701	975,303
Development Bank of South Africa (1-1600) Unsecured (Jibar) variable interest 15 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2027. Part of the restructuring of loans during 2012/13.	-	500,000,000	-	500,000,000
Standard Bank (1-1601) Unsecured (Jibar) variable interest 10 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022. Part of the restructuring of loans during 2012/13..	-	500,230,125	-	500,230,125
iVuzi (FirstRand Bank) (1-1850) Unsecured (Jibar) variable interest rate 9 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2022.	473,878,226	-	473,878,226	-
Nedbank (1-1800) Unsecured (Jibar) variable interest rate 16 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2029.	657,889,489	-	657,889,489	-
iVuzi (FirstRand Bank) (1-1851) Unsecured (Jibar) variable interest rate 14 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2027.	482,967,728	-	482,967,728	-
Nedbank (1-1801) Unsecured (Jibar) variable interest rate 12 year loan repayable in semi-annual equal installments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025.	370,873,854	-	370,873,854	-
	8,302,036,464	6,434,887,866	8,298,916,153	6,431,452,172
Non-current liabilities				
At amortised cost	7,766,929,898	6,088,869,590	7,764,124,985	6,085,749,294
Current liabilities				
At amortised cost	535,106,566	346,018,276	534,791,168	345,702,878
	8,302,036,464	6,434,887,866	8,298,916,153	6,431,452,172

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
5. Lease liabilities				
Minimum lease payments due				
- within one year	138,518,946	149,442,980	138,518,946	149,442,980
- in second to fifth year inclusive	51,618,818	186,766,218	51,618,818	186,766,218
	<u>190,137,764</u>	<u>336,209,198</u>	<u>190,137,764</u>	<u>336,209,198</u>
less: future finance charges	(11,636,846)	(33,171,972)	(11,636,846)	(33,171,972)
Present value of minimum lease payments	178,500,918	303,037,226	178,500,918	303,037,226
Present value of minimum lease payments due				
- within one year	127,908,505	127,462,094	127,908,505	127,462,094
- in second to fifth year inclusive	50,592,413	175,575,133	50,592,413	175,575,133
	<u>178,500,918</u>	<u>303,037,227</u>	<u>178,500,918</u>	<u>303,037,227</u>
Non-current liabilities	50,592,413	175,575,133	50,592,413	175,575,133
Current liabilities	127,908,505	127,462,094	127,908,505	127,462,094
	<u>178,500,918</u>	<u>303,037,227</u>	<u>178,500,918</u>	<u>303,037,227</u>
Collateral held in terms of the above leases (Net book amount of leased assets)	178,500,918	303,526,842	178,500,918	303,526,842
Carrying value of leased assets	<u>171,655,845</u>	<u>392,780,477</u>	<u>171,655,845</u>	<u>392,780,477</u>

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

6. Provisions

Reconciliation of provisions - Group - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	25,361,752	2,945,059	(3,453,704)	1,582,985	26,436,092
Rehabilitation of landfill sites	184,605,898	20,734,250	-	4,985,218	210,325,366
Performance bonus: Sandspruit	1,610,788	-	(1,610,788)	-	-
Rehabilitation of quarries	5,902,508	714,542	(1,411,909)	634,932	5,840,073
	217,480,946	24,393,851	(6,476,401)	7,203,135	242,601,531

Reconciliation of provisions - Group - 2012

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Clearing of alien vegetation	25,519,617	2,575,068	(3,176,895)	443,962	25,361,752
Rehabilitation of landfill sites	163,319,115	32,788,828	(16,129,690)	4,627,645	184,605,898
Performance bonus: Sandspruit	1,269,998	340,790	-	-	1,610,788
Rehabilitation of quarries	6,568,865	640,507	(1,196,026)	(110,838)	5,902,508
	196,677,595	36,345,193	(20,502,611)	4,960,769	217,480,946

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

6. Provisions (continued)

Reconciliation of provisions - Municipality - 2013

	Opening Balance	Additions	Utilised during the year	Reversed/adjusted during the year	Total
Clearing of alien vegetation	25,361,752	2,945,059	(3,453,704)	1,582,985	26,436,092
Rehabilitation of landfill sites	184,605,898	20,734,250	-	4,985,218	210,325,366
Rehabilitation of quarries	5,902,508	714,542	(1,411,909)	634,932	5,840,073
	215,870,158	24,393,851	(4,865,613)	7,203,135	242,601,531

Reconciliation of provisions - Municipality - 2012

	Opening Balance	Additions	Utilised during the year	Reversed/adjusted during the year	Total
Clearing of alien vegetation	25,519,617	2,575,068	(3,176,895)	443,962	25,361,752
Rehabilitation of landfill sites	163,319,115	32,788,828	(16,129,690)	4,627,645	184,605,898
Rehabilitation of quarries	6,568,865	640,507	(1,196,026)	(110,838)	5,902,508
	195,407,597	36,004,403	(20,502,611)	4,960,769	215,870,158

Total provisions

Non-current liabilities	242,601,531	215,870,158	242,601,531	215,870,158
Current liabilities	-	1,610,788	-	-
	242,601,531	217,480,946	242,601,531	215,870,158

Environmental rehabilitation provision - landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

Clearing of alien vegetation

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established to address the backlogs that exist.

Rehabilitation of quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), section 52(2)(d), the municipality is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

Performance bonus: Sandspruit

During 2011/12 Sandspruit Works Association provided for performance bonuses. These bonuses did not exist at the end of 2012/13.

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

7. Financial instruments disclosure

Categories of financial instruments

Group - 2013

Financial assets

	At fair value	At amortised cost	Total
Investments	-	640,989,699	640,989,699
Other debtors	-	956,628,824	956,628,824
Consumer debtors	-	6,866,309,700	6,866,309,700
Cash and cash equivalents	-	740,967,794	740,967,794
Long-term receivables: Housing loans	-	19,649,214	19,649,214
Long-term receivables: Sport club loans	-	1,234,208	1,234,208
Long-term receivables: Sale of land	-	69,124,308	69,124,308
Long-term receivables: Arrangement debtors	-	223,182,701	223,182,701
Interest rate swap asset	81,554,131	-	81,554,131
	81,554,131	9,518,086,448	9,599,640,579

Financial liabilities

	At amortised cost	Total
Retention creditors	311,222,668	311,222,668
Trade and other payables from exchange transactions	4,722,820,750	4,722,820,750
Deferred operating lease liability	5,490,003	5,490,003
Consumer deposits	421,669,621	421,669,621
VAT payable	89,015,259	89,015,259
Unspent grants and receipts	126,494,481	126,494,481
Long-term loans (term loans, bonds, etc)	8,302,036,464	8,302,036,464
Lease liabilities	178,497,918	178,497,918
	14,157,247,164	14,157,247,164

Group - 2012

Financial assets

	At amortised cost	Total
Investments	411,474,116	411,474,116
Other debtors	944,716,877	944,716,877
Consumer debtors	5,679,638,056	5,679,638,056
Cash and cash equivalents	643,926,921	643,926,921
Long-term receivables: Housing loans	20,289,707	20,289,707
Long-term receivables: Sport club loans	1,569,306	1,569,306
Long-term receivables: Motor car loans	11,710	11,710
Long-term receivables: Sale of land	83,480,809	83,480,809
Arrangement debtors	201,991,222	201,991,222
	7,987,098,724	7,987,098,724

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
Financial liabilities				
Retention creditors			At amortised cost	Total
Trade and other payables from exchange transactions	238,990,712	4,293,167,737	238,990,712	4,293,167,737
Deferred operating lease liability	7,847,217	7,847,217	7,847,217	7,847,217
Consumer deposits	406,953,225		406,953,225	
VAT payables	278,874,992		278,874,992	
Unspent grants and receipts	319,663,700		319,663,700	
Long-term loans (term loans, bonds, etc)	6,434,887,866		6,434,887,866	
Lease liabilities	303,037,227		303,037,227	
	12,283,422,676		12,283,422,676	
Municipality - 2013				
Financial assets				
	At fair value	At amortised cost	Total	
Investments	-	640,989,699	640,989,699	
Other debtors	-	916,255,533	916,255,533	
Consumer debtors	-	6,483,717,644	6,483,717,644	
Cash and cash equivalents	-	686,118,280	686,118,280	
Long-term receivables: Housing loans	-	19,649,214	19,649,214	
Long-term receivables: Sport club loans	-	1,234,208	1,234,208	
Long-term receivables: Sale of land	-	69,124,308	69,124,308	
Long-term receivables: Arrangement debtors	-	223,182,071	223,182,071	
Interest rate swap asset	81,554,131	-	81,554,131	
	81,554,131	9,040,270,957	9,121,825,088	
Financial liabilities				
Retention creditors		At amortised cost	Total	
Trade and other payables from exchange transactions	311,222,668	4,662,282,154	311,222,668	4,662,282,154
Deferred operating lease liability	5,299,936		5,299,936	
Consumer deposits	418,175,945		418,175,945	
VAT payable	91,975,271		91,975,271	
Unspent grants and receipts	125,330,239		125,330,239	
Long-term loans (term loans, bonds, etc)	8,298,916,153		8,298,916,153	
Lease liabilities	178,500,918		178,500,918	
	14,091,703,284		14,091,703,284	

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
Municipality - 2012				
Financial assets				
Investments			At amortised cost	Total
Other debtors	411,474,116		411,474,116	411,474,116
Consumer debtors	907,983,042		907,983,042	907,983,042
Cash and cash equivalents	5,336,498,441		5,336,498,441	5,336,498,441
Long-term receivables: Housing loans	604,102,525		604,102,525	604,102,525
Long-term receivables: Sport club loans	20,289,707		20,289,707	20,289,707
Long-term receivables: Motor car loans	1,569,306		1,569,306	1,569,306
Long-term receivables: Sale of land	11,710		11,710	11,710
Long-term receivables: Arrangement debtors	83,480,809		83,480,809	83,480,809
	201,991,222		201,991,222	201,991,222
	7,567,400,878		7,567,400,878	7,567,400,878

Financial liabilities

	At amortised cost	Total
Retention creditors	238,990,712	238,990,712
Trade and other payables from exchange transactions	4,238,447,284	4,238,447,284
Deferred operating lease liability	7,438,790	7,438,790
Consumer deposits	403,868,672	403,868,672
VAT payable	281,844,747	281,844,747
Unspent grants and receipts	317,810,684	317,810,684
Long-term loans (term loans, bonds, etc)	6,431,452,172	6,431,452,172
Lease liabilities	303,037,227	303,037,227
	12,222,890,288	12,222,890,288

8. Financial instruments: Risks involved

Risks

In the course of the group's business operations it is exposed to interest rate, credit, liquidity and market risk. The group has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

Interest rate risk

The group manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The group's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

8. Financial instruments: Risks involved (continued)

Year ended 30 June 2013

Description	Floating rate		Fixed rate		Non-interest bearing		Total
	R	R	Weighted average effective interest rate %	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
Assets							
Investments	490,672,748	150,316,951	7.02	15.90			640,989,699
Long-term receivables:							
Housing loans		19,649,214	13.87	30.00			19,649,214
Sport club loans		1,234,208	11.99	10.00			1,234,208
Sale of Land		69,124,308	11.09	5.00			69,124,308
Arrangement debtors		3,828,971	-		219,353,100		223,182,071
Trade receivables:							
Consumer		3,953,896,012	9.00	1.00	2,912,413,688		6,866,309,700
Other					956,628,824		956,628,824
Cash		740,967,794					740,967,794
Total financial assets	490,672,748	4,939,017,458			4,088,395,612		9,518,085,818
Liabilities							
Interest bearing borrowings	3,525,671,077	4,623,711,381	10.93	13.92			8,149,382,458
Interest rate swaps		152,654,006	9.32	9.75			152,654,006
Lease liabilities		178,500,918					178,500,918
Trade payables:							
Creditors					4,722,820,750	0.08	4,722,820,750
Retention					311,222,668	1.00	311,222,668
Consumer deposits					421,669,621	0.08	421,669,621
Unspent grants and receipts					126,494,481	0.08	126,494,481
VAT					89,015,259	0.08	89,015,259
Total financial assets	3,525,671,077	4,954,866,305			5,671,222,779		14,151,760,161

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

8. Financial instruments: Risks involved (continued)

Year ended 30 June 2012

Description	Floating rate		Fixed rate		Non-interest bearing		Total
	R	R	Weighted average effective interest rate %	Weighted average period for which rate is fixed	Amount	Weighted average period until maturity	
Assets							
Investments	176,300,510	235,173,606	12.91	15.90			411,474,116
Long-term receivables:							
Housing loans		20,289,707	13.87	30.00			20,289,707
Motor car loans		11,710	8.66	6.00			11,710
Loans to sport clubs		1,569,306	11.99	10.00			1,569,306
Sale of Land		83,480,809	11.09	5.00			83,480,809
Arrangement debtors		10,179,294			191,811,928		201,991,222
Trade receivables:							
Consumer		3,081,915,183	9.00	1.00	2,597,722,873		5,679,638,056
Other					944,716,877		944,716,877
Cash		643,926,921					643,926,921
Total financial assets	176,300,510	4,076,546,536			3,734,251,678		7,987,098,724
Liabilities							
Interest bearing borrowings	3,650,036,342	2,653,081,928		9.91			6,303,118,270
Interest rate swaps		131,769,596	9.92	13.92			131,769,596
Lease liabilities		303,037,227					303,037,227
Trade payables:							
Creditors					4,293,167,737	0.08	4,293,167,737
Retention					238,990,712	1.00	238,990,712
Consumer deposits					406,953,225	0.08	406,953,225
Unspent grants and receipts					319,663,700	0.08	319,663,700
VAT					278,874,992	0.08	278,874,992
Total financial assets	3,650,036,342	3,087,888,751			5,537,650,366		12,275,575,459

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

8. Financial instruments: Risks involved (continued)

Interest rate swaps

The group has entered into interest rate swap contracts that entitle it to receive interest at fixed rates on notional principal amounts and that oblige it to pay interest at variable rates on the same amounts. The interest rate swaps allow the group to raise long-term borrowings at variable rates and effectively swap them into fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the reporting date the group had entered into the following interest rate swaps relating to specific statement of financial position items:

	Date	Fixed rate	Fair value	Estimated fair value gain/(loss)
		%	R	R
30 June 2013		-	81,554,131	81,554,131

Currency risk

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The group, however, manages this risk by entering into contracts where the risk is carried by the service provider.

Credit risk

Financial assets, which potentially subject the group to the risk of non-performance by counter-parties and thereby subject the group to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the group obtains appropriate deposits and guarantees from debtors to mitigate risk. The group's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The group limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The group only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited credit-rating agency. The group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the group's customer base and their dispersion across different industries and geographical areas. The group does not have any significant exposure to any individual customer or counter-party. Accordingly, the group does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the group's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The major concentrations of credit risk that arise from the group's receivables in relation to customer classification are as follows:

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

8. Financial instruments: Risks involved (continued)

	30 June 2013	30 June 2012
Consumer debtors:		
Household	52	52
Industrial/Commercial	26	22
National and Provincial Government	2	2
Other consumer debtors	5	5
Long-term receivables	4	4
Sundry debtors	11	15
	100	100

Liquidity risk

The group manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the group ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure, budgeted and forecast cash flow calculations are funded as follows from the capital market:

	30 June 2014	30 June 2015	30 June 2016
	R	R	R
External funding: capital expenditure	1,600,000,000	1,400,000,000	1,500,000,000

Market risk

The group is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The group manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

Interest rate risk management: The group's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the group to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

Financial assets/liabilities:

Trade and other receivables/payables: At a fixed rate of interest.

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities

Fair values

The group's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

Trade receivables (debtors)

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

8. Financial instruments: Risks involved (continued)

Investments

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi-annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

The fair value of financial liabilities at statement of financial position date are as follows:

Year ended	Fair value		Carrying amount R
	R		
30 June 2013			
Liabilities			
Interest rate swaps		81,554,131	81,554,131

Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

8. Financial instruments: Risks involved (continued)

Year ended 30 June 2013

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	636,003,487	4,986,212		640,989,699
Long-term receivables:				
Housing loans			19,649,214	19,649,214
Loans to sport clubs			1,234,208	1,234,208
Sale of Land		69,124,308		69,124,308
Arrangement debtors	116,937,089	106,244,982		223,182,071
Trade receivables:				
Consumer	3,874,119,090	2,992,190,610		6,866,309,700
Other debtors	956,628,824			956,628,824
Cash	740,967,794			740,967,794
Total financial assets	6,324,656,284	3,172,546,112	20,883,422	9,518,085,818
Liabilities				
Interest bearing borrowings	100,005,000	501,336,897	5,149,647,102	5,750,988,999
Interest rate swaps			2,551,047,465	2,551,047,465
Lease liabilities	127,908,505	50,592,413		178,500,918
Trade payables:				
Creditors		4,722,820,750		4,722,820,750
Retention		311,222,668		311,222,668
Consumer deposits		421,669,621		421,669,621
Unspent grants and receipts		126,494,481		126,494,481
VAT		89,015,259		89,015,259
Total financial liabilities	227,913,505	6,223,152,089	7,700,694,567	14,151,760,161

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

8. Financial instruments: Risks involved (continued)

Year ended 30 June 2012

	1 Year or less R	1 to 5 years R	Over 5 years R	Total R
Assets				
Investments	323,851,508	86,912,088	710,520	411,474,116
Long-term receivables:				
Housing loans			20,289,707	20,289,707
Motor car loans	11,710			11,710
Loans to sport clubs			1,569,306	1,569,306
Sale of Land		83,480,809		83,480,809
Arrangement debtors	106,371,323	95,619,899		201,991,222
Trade receivables:				
Consumer	3,416,459,891	2,263,178,165		5,679,638,056
Other	944,716,877			944,716,877
Cash	643,926,921			643,926,921
Total financial assets	5,435,338,230	2,529,190,961	22,569,533	7,987,098,724
Liabilities				
Interest bearing borrowings	4,305,705	98,045,858	6,200,766,707	6,303,118,270
Interest rate swaps	131,769,596			131,769,596
Lease liabilities	127,462,094	175,575,133		303,037,227
Trade payables:				
Creditors		4,293,167,737		4,293,167,737
Retention		238,990,712		238,990,712
Consumer deposits		406,953,225		406,953,225
Unspent grants and receipts		319,663,700		319,663,700
VAT		278,874,992		278,874,992
Total financial liabilities	263,537,395	5,811,271,357	6,200,766,707	12,275,575,459

Hedging

Hedging is not applicable in the environment of the group.

9. Consumer deposits

Electricity and water	421,669,621	406,953,225	418,175,945	403,868,672
Guarantees held:				
Electricity and water consumers (who do not have deposits)	182,562,300	154,920,913	182,562,300	154,920,913
Township Development guarantees	193,989,539	193,848,803	193,989,539	193,848,803
	376,551,839	348,769,716	376,551,839	348,769,716

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
10. Payables from exchange transactions				
Trade payables	2,888,643,348	2,752,687,864	2,841,132,172	2,706,139,847
Payments received in advance	34,453,470	22,130,257	34,453,470	22,130,257
Accrued leave pay	602,903,904	547,762,746	597,715,117	542,593,356
Deposits received	28,819,979	23,119,295	28,400,700	22,681,807
Debtors with credit balances	613,524,174	542,142,628	613,524,174	542,142,628
Other creditors	515,311,659	399,653,836	509,102,324	397,088,278
Retention creditors	311,222,668	238,990,712	311,222,668	238,990,712
RTMC: AARTO	10,240,041	4,907,796	10,240,041	4,907,796
Awards received not spent (Bontle ke Botho)	605,311	763,315	605,311	763,315
Loan from shareholder	49,640	-	-	-
Board fees accrual	92,043	-	-	-
SARS (municipal entities)	1,041,957	-	-	-
Creditors with debit balances - reclassify	27,135,224	-	27,108,850	-
	5,034,043,418	4,532,158,449	4,973,504,827	4,477,437,996
Payables age analysis				
Current (0 -30 days)				
Bulk electricity	792,266,280	743,735,532	792,266,280	743,735,532
Bulk water	69,825,396	100,667,495	69,825,396	100,667,495
PAYE deductions	64,637,295	52,232,434	64,637,295	52,232,434
VAT (output less input)	209,008,406	255,406,998	213,283,718	258,376,753
Pensions/retirement deductions	-	56,167,453	-	56,167,453
Loan repayments	293,401,876	421,138,417	293,401,876	421,138,417
Trade creditors	3,696,885,042	3,184,659,171	3,632,065,533	3,126,964,658
	5,126,024,295	4,814,007,500	5,065,480,098	4,759,282,742
This age-analysis will balance back to the total of note 9 plus VAT on the statement of financial position.				
11. Unspent grants and receipts				
Unspent grants and receipts comprises of:				
DORA: Department Water Affairs & Forestry (DWA)	4,833	290,366	4,833	290,366
DORA: Electricity for All (INEP)	-	1,526,000	-	1,526,000
DORA: Finance Management Grant (FMG)	470,166	-	470,166	-
Provincial: Housing Projects	70,686,712	93,758,781	70,686,712	93,758,781
DORA: Urban Settlement Development Grant (USDG)	-	10,117,921	-	10,117,921
DoRA: Public Transport Infrastructure Systems Grant (PTIS)	15,534,170	137,609,647	15,534,170	137,609,647
Provincial: DPLG - Health	4,200,977	89,650	4,200,977	89,650
Neighbourhood Development Programme	2,187,710	34,017,099	2,187,710	34,017,099
Arts and Culture grant (Libraries)	2,752,593	4,429,968	2,752,593	4,429,968
Economic Development grant	8,750,000	8,750,000	8,750,000	8,750,000
Gautrans job creation	71,107	1,408,211	71,107	1,408,211
Expanded Public Works Programme (EPWP)	4,424,606	-	4,424,606	-
Sandspruit: grants	1,164,242	1,853,016	-	-
Blue IQ	11,999,119	24,998,876	11,999,119	24,998,876
Sport and Recreation	72,617	515,977	72,617	515,977
Performance Management	268,665	268,665	268,665	268,665
Electricity Demand Side (EDSM)	406,964	29,523	406,964	29,523
Revenue Enhancement	3,500,000	-	3,500,000	-
	126,494,481	319,663,700	125,330,239	317,810,684

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
11. Unspent grants and receipts (continued)				
Movement during the year				
Balance at the beginning of the year	319,663,700	397,971,082	317,810,684	395,679,581
Receipts during the year	4,506,577,074	3,681,493,084	4,504,776,819	3,680,788,150
Transfers between grants	48,853,230	(2,074,060)	48,853,230	(2,074,060)
Prior year correction	-	1,138,726	-	1,138,726
Returned to National Treasury	(2,102,000)	(196,735,000)	(2,102,000)	(196,735,000)
Income recognition during the year	(4,746,497,523)	(3,562,130,132)	(4,744,008,494)	(3,560,986,713)
	126,494,481	319,663,700	125,330,239	317,810,684

The figures above shows:

- The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and
- Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year.

See note 27 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

12. VAT

VAT refundable	2,965,618	2,974,060	-	-
VAT payable	(91,980,877)	(281,849,052)	(91,975,271)	(281,844,747)
	(89,015,259)	(278,874,992)	(91,975,271)	(281,844,747)

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

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Figures in Rand

13. Property, plant and equipment

Group	2013			2012 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	1,593,185,519	(754,858,692)	838,326,827	1,629,710,906	(713,823,270)	915,887,636
Land	304,794,546	-	304,794,546	307,790,054	-	307,790,054
Biological assets (game)	13,050,850	-	13,050,850	12,706,506	-	12,706,506
Infrastructure: Capitalised	16,111,379,408	(4,339,291,565)	11,772,087,843	15,302,581,811	(3,862,710,432)	11,439,871,379
Infrastructure: Assets under construction	5,409,990,220	-	5,409,990,220	2,951,244,448	-	2,951,244,448
Community: Capitalised	2,303,612,478	(570,362,416)	1,733,250,062	2,156,901,305	(503,210,247)	1,653,691,058
Community: Asset under construction	419,713,316	-	419,713,316	61,748,390	-	61,748,390
Other: Capitalised	2,674,691,951	(1,235,171,915)	1,439,520,036	2,288,540,852	(895,620,634)	1,392,920,218
Other: Asset under construction	393,546,556	-	393,546,556	104,031,368	-	104,031,368
Housing stock	-	-	-	39,343,706	-	39,343,706
Housing: Capitalised	76,246,188	(2,084,139)	74,162,049	165,177,394	(1,684,828)	163,492,566
Housing: Asset under construction	250,174,234	-	250,174,234	62,415,416	-	62,415,416
Total	29,550,385,266	(6,901,768,727)	22,648,616,539	25,082,192,156	(5,977,049,411)	19,105,142,745

City of Tshwane Metropolitan Municipality

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Figures in Rand

13. Property, plant and equipment (continued)

Municipality	2013			2012 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	1,585,802,275	(752,343,936)	833,458,339	1,621,876,336	(711,474,111)	910,402,225
Land	304,794,546	-	304,794,546	307,790,054	-	307,790,054
Biological assets (game)	13,050,850	-	13,050,850	12,706,506	-	12,706,506
Infrastructure: Capitalised	16,098,700,092	(4,330,279,279)	11,768,420,813	15,289,931,031	(3,854,944,651)	11,434,986,380
Infrastructure: Asset under construction	5,409,990,220	-	5,409,990,220	2,951,244,448	-	2,951,244,448
Community: Capitalised	2,303,612,478	(570,362,416)	1,733,250,062	2,156,901,305	(503,210,247)	1,653,691,058
Community: Asst under construction	419,713,316	-	419,713,316	61,748,390	-	61,748,390
Other property, plant and equipment	2,663,961,995	(1,227,405,865)	1,436,556,130	2,278,565,682	(886,847,705)	1,391,717,977
Other: Asset under construction	393,546,556	-	393,546,556	104,031,368	-	104,031,368
Housing stock	-	-	-	39,343,706	-	39,343,706
Housing: Capitalised	76,246,188	(2,084,139)	74,162,049	165,177,394	(1,684,828)	163,492,566
Housing: Asset under construction	250,174,234	-	250,174,234	62,415,416	-	62,415,416
Total	29,519,592,750	(6,882,475,635)	22,637,117,115	25,051,731,636	(5,958,161,542)	19,093,570,094

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Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2013

	Opening balance	Additions	Retirements	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	307,790,054	-	-	493	(2,996,001)	-	-	-	-	304,794,546
Buildings	915,887,636	11,512,629	-	(36,687,416)	8,584,538	-	36,188	(61,006,748)	-	838,326,827
Biological assets (game)	12,706,506	-	-	-	-	344,344	-	-	-	13,050,850
Infrastructure:	11,439,871,379	247,488,110	-	(65,923,758)	475,617,825	-	202,310,203	(527,275,916)	-	11,772,087,843
Capitalised Infrastructure: Asset under construction	2,951,244,448	2,956,979,780	-	-	(525,429,200)	-	27,195,192	-	-	5,409,990,220
Community: Capitalised	1,653,691,058	100,544,356	-	(2,238,532)	49,105,066	-	(36,193)	(67,815,693)	-	1,733,250,062
Community: Asst under construction	61,748,390	360,533,036	-	-	(2,568,110)	-	-	-	-	419,713,316
Other: Capitalised	1,392,920,218	225,316,397	-	(70,505,366)	40,344,005	31,295	138,923,757	(282,689,805)	(4,820,465)	1,439,520,036
Other: Asset under construction	104,031,368	327,146,749	-	-	(37,631,561)	-	-	-	-	393,546,556
Housing stock	39,343,706	-	-	-	-	-	(39,343,706)	-	-	-
Housing	163,492,566	2,600,000	(138,963,962)	(2,358,397)	10,447,446	-	39,343,707	(399,311)	-	74,162,049
Housing: Asset under construction	62,415,416	164,206,264	-	-	(10,447,446)	-	34,000,000	-	-	250,174,234
	19,105,142,745	4,396,327,321	(138,963,962)	(177,712,976)	5,026,562	375,639	402,429,148	(939,187,473)	(4,820,465)	22,648,616,539

City of Tshwane Metropolitan Municipality

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2012

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	303,538,903	4,938,887	(579,066)	(81,380)	-	(27,290)	-	-	307,790,054
Buildings	722,655,773	23,550,734	-	246,152,499	-	21,988,741	(76,590,919)	(21,869,192)	915,887,636
Biological assets (game)	12,970,960	-	-	-	(264,454)	-	-	-	12,706,506
Infrastructure: Capitalised	9,640,903,201	1,670,155,723	(5,713,535)	712,517,673	-	24,768,712	(602,742,222)	(18,173)	11,439,871,379
Infrastructure: Asset under construction	1,879,652,221	1,788,083,337	-	(716,491,110)	-	-	-	-	2,951,244,448
Community: Capitalised	1,503,937,892	166,143,308	(14,103,009)	63,460,913	-	(1,110,431)	(64,637,615)	-	1,653,691,058
Community: Asst under construction	45,151,534	57,375,191	-	(40,778,335)	-	-	-	-	61,748,390
Other: Capitalised	1,513,780,157	301,943,273	(59,624,270)	(234,174,539)	-	14,752,507	(135,836,433)	(7,920,477)	1,392,920,218
Other: Asset under construction	56,196,157	93,817,595	-	(45,982,384)	-	-	-	-	104,031,368
Housing stock	3,769,730	41,072,831	(1,729,124)	-	-	(3,769,731)	-	-	39,343,706
Housing	125,423,720	38,468,158	-	-	-	(362,182)	(37,130)	-	163,492,566
Housing: Asset under construction	13,110,922	62,038,281	-	(12,733,787)	-	-	-	-	62,415,416
	15,821,091,170	4,247,587,318	(81,749,004)	(28,110,450)	(264,454)	56,240,326	(879,844,319)	(29,807,842)	19,105,142,745

City of Tshwane Metropolitan Municipality

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2013

	Opening balance	Additions	Retirements	Disposals	Transfers	Gains/losses arising from changes in fair value	Other changes, movements	Depreciation	Impairment loss	Total
Land	307,790,054	-	-	493	(2,996,001)	-	-	-	-	304,794,546
Buildings	910,402,225	11,735,788	-	(36,687,416)	8,584,538	-	36,188	(60,612,984)	-	833,458,339
Biological assets (game)	12,706,506	-	-	-	-	344,344	-	-	-	13,050,850
Infrastructure	11,434,986,380	247,424,599	-	(65,923,758)	475,617,825	-	202,310,194	(525,994,427)	-	11,768,420,813
Infrastructure: Asset under construction	2,951,244,448	2,956,979,780	-	-	(525,429,200)	-	27,195,192	-	-	5,409,990,220
Community: Capitalised	1,653,691,058	100,544,356	-	(2,238,532)	49,105,066	-	(36,193)	(67,815,693)	-	1,733,250,062
Community: Asset under construction	61,748,390	360,533,036	-	-	(2,568,110)	-	-	-	-	419,713,316
Other: Capitalised	1,391,717,977	223,020,088	-	(70,505,365)	40,271,853	-	138,954,770	(282,084,422)	(4,818,771)	1,436,556,130
Other: Asset under construction	104,031,368	327,146,749	-	-	(37,631,561)	-	-	-	-	393,546,556
Housing stock	39,343,706	-	-	-	-	-	(39,343,706)	-	-	-
Housing: Capitalised	163,492,566	2,600,000	(138,963,962)	(2,358,397)	10,447,446	-	39,343,707	(399,311)	-	74,162,049
Housing: Asset under construction	62,415,416	164,206,264	-	-	(10,447,446)	-	34,000,000	-	-	250,174,234
	19,093,570,094	4,394,190,660	(138,963,962)	(177,712,975)	4,954,410	344,344	402,460,152	(936,906,837)	(4,818,771)	22,637,117,115

City of Tshwane Metropolitan Municipality

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2012

	Opening balance	Additions	Disposals	Transfers	Gains/losses arising from changes in fair values	Other changes, movements	Depreciation	Impairment loss	Total
Land	303,538,903	4,938,887	(579,066)	(81,380)	-	(27,290)	-	-	307,790,054
Buildings	716,794,592	23,528,796	-	246,152,499	-	21,988,741	(76,193,211)	(21,869,192)	910,402,225
Biological assets (game)	12,970,960	-	-	-	(264,454)	-	-	-	12,706,506
Infrastructure: Capitalised	9,634,677,737	1,670,092,435	(5,713,535)	712,517,673	-	24,768,712	(601,338,469)	(18,173)	11,434,986,380
Infrastructure: Asset under construction	1,879,652,221	1,788,083,337	-	(716,491,110)	-	-	-	-	2,951,244,448
Community: Capitalised	1,503,937,892	166,143,308	(14,103,009)	63,460,913	-	(1,110,431)	(64,637,615)	-	1,653,691,058
Community: Asst under construction	45,151,534	57,375,191	-	(40,778,335)	-	-	-	-	61,748,390
Other: Capitalised	1,512,071,463	301,506,178	(59,624,268)	(234,174,539)	-	14,752,507	(134,892,887)	(7,920,477)	1,391,717,977
Other: Asset under construction	56,196,157	93,817,595	-	(45,982,384)	-	-	-	-	104,031,368
Stock	3,769,730	41,072,831	(1,729,124)	-	-	(3,769,731)	-	-	39,343,706
Housing: Capitalised	125,423,720	38,468,158	-	-	-	(362,182)	(37,130)	-	163,492,566
Housing: Asset under construction	13,110,922	62,038,281	-	(12,733,787)	-	-	-	-	62,415,416
	15,807,295,831	4,247,064,997	(81,749,002)	(28,110,450)	(264,454)	56,240,326	(877,099,312)	(29,807,842)	19,093,570,094

Pledged as security

No property, plant and equipment are pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality and the relevant municipal entities.

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

13. Property, plant and equipment (continued)

USEFUL LIVES:

According to GRAP 17: Property, plant and equipment, all useful lives of property, plant and equipment must be reviewed on an annual basis. The useful lives of assets were reviewed according to the requirements of GRAP 17. All remaining useful lives that were adjusted for the 2012/13 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 56). All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2012.

The following were the reasons for the review of useful life adjustments:

Underground water and sanitation assets:

A scientific review of the remaining useful life of pipe assets was conducted (PRP) and the following trends in the remaining useful life had been observed:

- * The weighted average expected useful life (EUL) of all water pipes increased by 84%;
- * The weighted average expected useful life (EUL) of bulk sewer pipes increased by 92%; and
- * The weighted average expected useful life (EUL) of sewer reticulation pipes increased by 69%.

The extrapolated remaining useful lives (RUL) of assets above 80 years (960 months) were capped at 960 months. These results are in line with the proposed expected useful life (EUL) for pipes for the next financial year and have been work shopped with experts in this field and officials of City of Tshwane. It was agreed to adopt these figures to adjust the RUL of pipe assets. These will be aligned to specific pipes in the next financial year as the asset register pipe data is unbundled.

All other infrastructure assets and buildings:

It was agreed that the data of infrastructure assets and buildings indicated in the asset register as having a RUL of zero or less than 2 years will be reviewed and (in the absence of other determinants) will be adjusted to the equivalent of fair condition (median of the condition deterioration band) - i.e. 36% of EUL. In instances where the calculated RUL of assets came to less than 25 months, these were adjusted to a minimum of 25 months.

Moveable assets:

It was agreed that the data of moveable assets and buildings that are indicated in the asset register as having a RUL of zero or less than 2 years will be reviewed and adjusted with the following:

Remaining useful life of 12 - 24 months:-

Condition: Fair, good, very good, poor = Adjustment: 12 months added
Condition: Very poor = Adjustment: No adjustment

Remaining useful life of 0- 12 months:-

Condition: Fair, good, very good, poor = Adjustment: 24 months added
Condition: Very poor = Adjustment: 12 months added

The effect of changing the remaining useful lives has decreased the depreciation charge for the current and future periods. The total number of assets affected is 137 877.

Pre-paid and conventional electricity meters:

The City has embarked on a project to replace all pre-paid and conventional meters with new smart meters. The aim of this project is to secure the revenue of the City. The project will commence on 1 October 2013 and will be for a duration of 24 months. Initially these meters had a useful life of 20 Years, however due to the strategic decision taken by Council to replace the old meters with new technology it was necessary to adjust the useful life of the old meters.

Adjustment: Remaining Useful Life 39 months from 1 July 2012 to 30 September 2015. The effect of changing the remaining useful lives has increased the depreciation charge for the current and future periods. The total number of assets affected is 434 996.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

13. Property, plant and equipment (continued)

IMPAIRMENT:

The City of Tshwane has implemented the Standards of GRAP 21 and GRAP 26 on impairment of assets based on a position paper adopted on these standards. Based on the position paper all assets tested during this financial year were treated according to GRAP 21: Impairment of non-cash generating assets. GRAP 21.10 states that cash-generating assets are assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity where the entity intends to generate positive cash inflows from the asset (or from the cash-generating unit of which the asset is a part) and earn a return that reflects the risk involved in holding the asset.

Although the City of Tshwane holds material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the municipality's constitutional mandate. According to GRAP 21.11 there is a number of circumstances in which entities may hold some assets with the primary objective of generating a commercial return. None of the assets impaired in the 2012/13 financial year are held for that purpose.

Impairment indicators:

- Moveable assets with a condition rating of "poor" and "very poor"
- Infrastructure assets were impaired according to specific indicators including: vandalism, physical damage, discontinued assets and assets that became idle
- Assets held for sale: Fair values were determined based on the selling price of the items according to previous auctions held taking into consideration its current condition. Where the net book value of the item exceeded the fair value less the cost to sell, the assets were impaired to reflect the recoverable amount.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

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14. Investment property

Group	2013			2012 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	1,016,558,270	(52,016,741)	964,541,529	1,002,335,741	(49,161,687)	953,174,054
Investment property: Asset under construction	-	-	-	49,000,000	-	49,000,000
Total	1,016,558,270	(52,016,741)	964,541,529	1,051,335,741	(49,161,687)	1,002,174,054
Municipality	2013			2012 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property: Capitalised	1,003,358,270	(52,016,741)	951,341,529	986,464,904	(49,161,687)	937,303,217
Investment property: Asset under construction	-	-	-	49,000,000	-	49,000,000
Total	1,003,358,270	(52,016,741)	951,341,529	1,035,464,904	(49,161,687)	986,303,217

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

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14. Investment property (continued)

Reconciliation of investment property - Group - 2013

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Fair value adjustments	Depreciation	Total
Investment property: Capitalised	953,174,054	18,307,493	(1,172,669)	(241,458)	-	(2,670,837)	(2,855,054)	964,541,529
Investment property: Asset under construction	49,000,000	-	-	-	(49,000,000)	-	-	-
	1,002,174,054	18,307,493	(1,172,669)	(241,458)	(49,000,000)	(2,670,837)	(2,855,054)	964,541,529

Reconciliation of investment property - Group - 2012

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Investment property: Capitalised	836,904,976	129,198,222	(11,300,433)	1,415,167	(2,287,511)	(756,367)	953,174,054
Investment property: Asset under construction	-	49,000,000	-	-	-	-	49,000,000
	836,904,976	178,198,222	(11,300,433)	1,415,167	(2,287,511)	(756,367)	1,002,174,054

City of Tshwane Metropolitan Municipality

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14. Investment property (continued)

Reconciliation of investment property - Municipality - 2013

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Investment property: Capitalised	937,303,217	18,307,493	(1,172,669)	(241,458)	-	(2,855,054)	951,341,529
Investment property: Asset under construction	49,000,000	-	-	-	(49,000,000)	-	-
	986,303,217	18,307,493	(1,172,669)	(241,458)	(49,000,000)	(2,855,054)	951,341,529

Reconciliation of investment property - Municipality - 2012

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Investment property: Capitalised	821,113,962	129,118,399	(11,300,433)	1,415,167	(2,287,511)	(756,367)	937,303,217
Investment property: Asset under construction	-	49,000,000	-	-	-	-	49,000,000
	821,113,962	178,118,399	(11,300,433)	1,415,167	(2,287,511)	(756,367)	986,303,217

Pledged as security

For the municipality no investment property is pledged as security.

For the Housing Company Tshwane (municipal entity) the investment property (Eloff Building) with a carrying value of R13 200 000 is pledged as security.

City of Tshwane Metropolitan Municipality

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15. Intangible assets

Group	2013			2012 Restated		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	546,977,793	(292,037,801)	254,939,992	523,804,560	(223,822,403)	299,982,157
Servitudes	159,305,972	-	159,305,972	149,402,282	681,391	150,083,673
Total	706,283,765	(292,037,801)	414,245,964	673,206,842	(223,141,012)	450,065,830
Municipality	2013			2012 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	546,883,977	(292,035,780)	254,848,197	523,804,560	(223,822,403)	299,982,157
Servitudes	159,305,972	-	159,305,972	149,402,282	681,391	150,083,673
Total	706,189,949	(292,035,780)	414,154,169	673,206,842	(223,141,012)	450,065,830
Reconciliation of intangible assets - Group - 2013						
	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Computer software	299,982,157	531,413	4,860,565	17,572,986	(68,007,129)	254,939,992
Servitudes	159,083,673	689,224	-	8,533,075	-	159,305,972
Total	450,065,830	1,220,637	4,860,565	26,106,061	(68,007,129)	414,245,964

City of Tshwane Metropolitan Municipality

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15. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2012

	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Computer software	200,081,000	131,135,357	12,609,132	(61,575)	(43,781,757)	299,982,157
Servitudes	147,283,982	-	-	2,799,691	-	150,083,673
Computer software: Asset under construction	532,762	-	(532,762)	-	-	-
	347,897,744	131,135,357	12,076,370	2,738,116	(43,781,757)	450,065,830

Reconciliation of intangible assets - Municipality - 2013

	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Computer software	299,982,157	366,851	4,931,311	17,572,986	(68,005,108)	254,848,197
Servitudes	150,083,673	689,224	-	8,533,075	-	159,305,972
	450,065,830	1,056,075	4,931,311	26,106,061	(68,005,108)	414,154,169

Reconciliation of intangible assets - Municipality - 2012

	Opening balance	Additions	Transfers	Other changes, movements	Amortisation	Total
Computer software	200,081,000	131,135,357	12,609,132	(61,575)	(43,781,757)	299,982,157
Servitudes	147,283,982	-	-	2,799,691	-	150,083,673
Computer software: Asset under construction	532,762	-	(532,762)	-	-	-
	347,897,744	131,135,357	12,076,370	2,738,116	(43,781,757)	450,065,830

Pledged as security

No intangible assets are pledged as security:

City of Tshwane Metropolitan Municipality

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16. Heritage assets

Group	2013			2012 Restated	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses
Art collections, antiquities and exhibits	21,416,693	-	21,416,693	21,425,695	-
Collections of rare books, manuscripts and records	536	-	536	536	-
Historical monuments	1,687,806	-	1,687,806	1,687,806	-
Historical buildings	2,366,960	-	2,366,960	2,730,995	-
Stamp collections, military insignia, medals, coins	214,400	-	214,400	214,400	-
Total	25,686,395	-	25,686,395	26,059,432	-
Municipality	2013			2012 Restated	
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation
Art collections, antiquities and exhibits	21,416,693	-	21,416,693	21,425,695	-
Collections of rare books, manuscripts and records	536	-	536	536	-
Historical monuments	1,687,806	-	1,687,806	1,687,806	-
Historical buildings	2,366,960	-	2,366,960	2,730,995	-
Stamp collections, military insignia, medals, coins	214,400	-	214,400	214,400	-
Total	25,686,395	-	25,686,395	26,059,432	-

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16. Heritage assets (continued)

Reconciliation of heritage assets Group - 2013

	Opening balance	Disposals	Transfers	Total
Art collections, antiquities and exhibits	21,425,695	(9,002)	-	21,416,693
Collections of rare books, manuscripts and records	536	-	-	536
Historical monuments	1,687,806	-	-	1,687,806
Historical buildings	2,730,995	-	(364,035)	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	-	214,400
	26,059,432	(9,002)	(364,035)	25,686,395

Reconciliation of heritage assets Group - 2012

	Opening balance	Additions	Transfers	Other changes, movements	Total
Art collections, antiquities and exhibits	21,425,695	-	-	-	21,425,695
Collections of rare books, manuscripts and records	-	-	-	536	536
Historical monuments	1,687,806	-	-	-	1,687,806
Historical buildings	2,730,995	-	(311,161)	311,161	2,730,995
Stamp collections, military insignia, medals, coins	-	214,400	-	-	214,400
	25,844,496	214,400	(311,161)	311,161	26,059,432

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16. Heritage assets (continued)

Reconciliation of heritage assets Municipality - 2013

	Opening balance	Disposals	Transfers	Total
Art collections, antiquities and exhibits	21,425,695	(9,002)	-	21,416,693
Collections of rare books, manuscripts and records	536	-	-	536
Historical monuments	1,687,806	-	-	1,687,806
Historical buildings	2,730,995	-	(364,035)	2,366,960
Stamp collections, military insignia, medals, coins	214,400	-	-	214,400
	26,059,432	(9,002)	(364,035)	25,686,395

Reconciliation of heritage assets Municipality - 2012

	Opening balance	Additions	Transfers	Other changes, movements	Total
Art collections, antiquities and exhibits	21,425,695	-	-	-	21,425,695
Collections of rare books, manuscripts and records	-	-	-	536	536
Historical monuments	1,687,806	-	-	-	1,687,806
Historical buildings	2,730,995	-	(311,161)	311,161	2,730,995
Stamp collections, military insignia, medals, coins	-	214,400	-	-	214,400
	25,844,496	214,400	(311,161)	311,161	26,059,432

Pledged as security

No heritage assets are pledged as security:

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

16. Heritage assets (continued)

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework certain heritage assets with a carrying value of R 25,688,933 (2012: R 26,061,970) was recognised at provisional amounts. Carrying amounts of heritage asset carried at provisional amounts are as follows:

Due to initial adoption of GRAP 103

Heritage assets	25,688,933	26,061,970	25,688,933	26,061,970
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Steps taken to establish the values of heritage assets recognised at provisional amounts due to the initial adoption of GRAP 103, are as follows:

For the 2013 reporting period all heritage assets were identified and recognized using provisional amounts. During the 2014 reporting period where the cost of the heritage asset cannot be determined on the initial recognition of the asset, the value will be determined in accordance with Directive 7 and GRAP 103. Directive 7 provides a hierarchy for determining the value of an asset in the absence of a reliable measure of its cost, being firstly the fair value and thereafter the replacement cost of the heritage asset. If the cost, fair value or replacement cost of a heritage asset or class of assets cannot be reliably measured relevant information as required in GRAP 103 will be disclosed per asset or class of heritage assets.

Firstly the internal resources within the Heritage Asset Environment will be used to assist in determining the value of heritage assets, however where skills and expertise lack, a professional valuer will have to be appointed.

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

Figures in Rand

17. Leased assets

Group	2013			2012 Restated		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Vehicles	335,117,867	(163,462,015)	171,655,852	544,185,328	(151,404,844)	392,780,484
<hr/>						
Municipality	2013			2012 Restated		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Vehicles	335,117,867	(163,462,015)	171,655,852	544,185,328	(151,404,844)	392,780,484

Reconciliation of leased assets - Group - 2013

	Opening balance	Expired term	Other changes	Depreciation/ Amortisation	Total
Vehicles	392,780,484	(209,362,623)	81,309,495	(93,071,504)	171,655,852

Reconciliation of leased assets - Group - 2012

	Opening balance	Additions	Other changes	Depreciation/ Amortisation	Total
Vehicles	334,282,435	115,026,987	52,327,142	(108,856,080)	392,780,484

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

Figures in Rand

17. Leased assets (continued)

Reconciliation of leased assets - Municipality - 2013

	Opening balance	Expired term	Other changes	Depreciation/ Amortisation	Total
Vehicles	392,780,484	(209,362,623)	81,309,495	(93,071,504)	171,655,852

Reconciliation of leased assets - Municipality - 2012

	Opening balance	Additions	Other changes	Depreciation/ Amortisation	Total
Vehicles	334,282,435	115,026,987	52,327,142	(108,856,080)	392,780,484

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
18. Assets held for sale				
Non-current assets: cost	76	9,944,699	76	9,944,699
Non-current assets: Accumulated depreciation	(20)	(9,600,109)	(20)	(9,600,109)
	56	344,590	56	344,590

The abovementioned non-current groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and were in the auction yard at year end.

19. Investments

At amortised cost

Short-term deposits	<u>636,003,487</u>	<u>323,851,507</u>	<u>636,003,487</u>	<u>323,851,507</u>
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At amortised cost

Municipal stock	710,521	3,033,003	710,521	3,033,003
Assurance companies	4,275,691	3,867,827	4,275,691	3,867,827
Fixed deposits	-	80,721,779	-	80,721,779

Total investments

<u>640,989,699</u>	<u>411,474,116</u>	<u>640,989,699</u>	<u>411,474,116</u>
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Non-current investments

At amortised cost	<u>4,986,212</u>	<u>87,622,609</u>	<u>4,986,212</u>	<u>87,622,609</u>
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Current investments

At amortised cost (refer to note 24)	<u>636,003,487</u>	<u>323,851,507</u>	<u>636,003,487</u>	<u>323,851,507</u>
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There were no gains or losses realised on the disposal of held to maturity financial assets in 2013 and 2012 Restated, as all the financial assets were disposed of at their redemption date.

Market value of listed investments and management's valuation of unlisted investments:

Unlisted investments	<u>332,224,368</u>	<u>282,571,456</u>	<u>332,224,368</u>	<u>282,571,456</u>
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Average rate of return

Average rate of return on long-term investments:	7.02 %	7.77 %	7.02 %	7.77 %
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Average rate of return on short-term investments:	4.82 %	5.19 %	4.82 %	5.19 %
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No investments were past due. No impairment occurred during the financial year under review.

Carrying amount of investments to the amount R310 310 086 (2012 = R 282 571 456 is ceded over to all secured long-term liabilities as per note 4. Also refer to note 39.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
20. Long-term receivables				
Consumer: Arrangement debtors	223,182,071	201,991,222	223,182,071	201,991,222
Housing loans	19,649,214	20,289,707	19,649,214	20,289,707
Loans to sport clubs	1,234,208	1,569,306	1,234,208	1,569,306
Motor car loans	-	11,710	-	11,710
Sale of land	69,124,308	83,480,809	69,124,308	83,480,809
	<u>313,189,801</u>	<u>307,342,754</u>	<u>313,189,801</u>	<u>307,342,754</u>
Short-term portion of long-term receivables	(119,303,329)	(108,802,610)	(119,303,329)	(108,802,610)
	<u>193,886,472</u>	<u>198,540,144</u>	<u>193,886,472</u>	<u>198,540,144</u>
Provision: Debt impairment	(89,609,011)	(104,323,849)	(89,609,011)	(104,323,849)
	<u>104,277,461</u>	<u>94,216,295</u>	<u>104,277,461</u>	<u>94,216,295</u>
Reconciliation of provision for bad debt				
Balance at the beginning of year	(104,323,849)	(59,241,366)	(104,323,849)	(59,241,366)
Contribution to provision during the year	14,714,838	(45,082,483)	14,714,838	(45,082,483)
	<u>(89,609,011)</u>	<u>(104,323,849)</u>	<u>(89,609,011)</u>	<u>(104,323,849)</u>

Consumer: Arrangement debtors

A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.

Housing loans

Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attract interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.

Motor car loans

Senior staff were entitled to motor car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan was repaid within the 2012/13 financial year.

Loans to sport clubs

Sports Clubs that do qualify, sign a 99 year lease hold agreement with the municipality at a nominal amount and are provided with financial assistance from the municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.

Sale of land debtors

Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14%) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 9%. Interest is calculated monthly on the outstanding balance of the property.

AGEING

Consumer: Arrangement debtors

121 - 365 days	116,937,089	106,371,323	116,937,089	106,371,323
> 365 days	106,244,982	95,619,899	106,244,982	95,619,899
	<u>223,182,071</u>	<u>201,991,222</u>	<u>223,182,071</u>	<u>201,991,222</u>

Housing loans

121 - 365 days	19,649,214	20,289,707	19,649,214	20,289,707
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City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
Loans to sport clubs				
121 - 365 days	<u>1,234,208</u>	<u>1,569,306</u>	<u>1,234,208</u>	<u>1,569,306</u>
Sale of land				
121 - 365 days	<u>69,124,308</u>	<u>83,480,809</u>	<u>69,124,308</u>	<u>83,480,809</u>

21. Inventories

Raw materials, components	266,799,905	344,585,499	264,680,756	342,583,936
Water	7,471,859	8,758,881	6,820,200	8,243,672
Premos restaurant	38,268	29,080	38,268	29,080
Fuel (Diesel, petrol)	1,722,743	1,923,883	1,722,743	1,923,883
Bus tickets	196,276	405,242	196,276	405,242
Plants (nursery)	90,047	72,381	90,047	72,381
Quarries	982,908	706,173	982,908	706,173
Coal (power stations)	124,936,635	60,980,871	124,936,635	60,980,871
	<u>402,238,641</u>	<u>417,462,010</u>	<u>399,467,833</u>	<u>414,945,238</u>

Included in general expenses in the statement of financial performance is an amount of R1 453 711 (2012 = R962 296) relating to the write-down of obsolete and damaged inventory.

22. Consumer debtors

The City of Tshwane has a consolidated account billing system. The division of debtors per service category is done on a pro-rata basis based on the levies. The provision for bad debt is also not available per income/service group.

The interest and other fees and levies indicated below, cannot be split between exchange and non-exchange transactions. It is included in total in the age-analysis.

Service debtors:

Rates	1,824,583,151	1,545,920,000	1,824,583,151	1,545,920,000
Electricity	2,068,211,644	1,584,785,601	2,068,211,644	1,584,785,601
Water	1,492,730,933	1,198,557,015	1,110,138,877	855,417,400
Other fees and levies	527,190,165	716,189,386	527,190,165	716,189,386
Sewerage	245,868,044	201,770,260	245,868,044	201,770,260
Refuse	309,229,109	247,754,827	309,229,109	247,754,827
Interest	621,678,725	386,652,188	621,678,725	386,652,188
	<u>7,089,491,771</u>	<u>5,881,629,277</u>	<u>6,706,899,715</u>	<u>5,538,489,662</u>
Less: Arrangement debtors	<u>(223,182,071)</u>	<u>(201,991,221)</u>	<u>(223,182,071)</u>	<u>(201,991,221)</u>
	<u>6,866,309,700</u>	<u>5,679,638,056</u>	<u>6,483,717,644</u>	<u>5,336,498,441</u>

Less: Provision for bad debt

General: All services	<u>(3,741,379,797)</u>	<u>(2,945,403,331)</u>	<u>(3,353,295,969)</u>	<u>(2,587,889,015)</u>
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Net balance

Rates	1,824,583,151	1,545,920,000	1,824,583,151	1,545,920,000
Electricity	2,068,211,644	1,584,785,601	2,068,211,644	1,584,785,601
Water	1,492,730,933	1,198,557,015	1,110,138,877	855,417,400
Other fees and levies	527,190,165	716,189,386	527,190,165	716,189,386
Sewerage	245,868,044	201,770,260	245,868,044	201,770,260
Refuse	309,229,109	247,754,827	309,229,109	247,754,827
Interest	621,678,725	386,652,188	621,678,725	386,652,188
Arrangement debtors	<u>(223,182,071)</u>	<u>(201,991,221)</u>	<u>(223,182,071)</u>	<u>(201,991,221)</u>
Less: Provision for bad debt	<u>(3,741,379,797)</u>	<u>(2,945,403,331)</u>	<u>(3,353,295,969)</u>	<u>(2,587,889,015)</u>
	<u>3,124,929,903</u>	<u>2,734,234,725</u>	<u>3,130,421,675</u>	<u>2,748,609,426</u>

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
22. Consumer debtors (continued)				
Included in above is receivables from exchange transactions				
Electricity	2,068,211,644	1,584,785,601	2,068,211,644	1,584,785,601
Water	1,492,730,933	1,198,557,015	1,110,138,877	855,417,400
Other fees and levies	527,190,165	716,189,386	527,190,165	716,189,386
Sewerage	245,868,044	201,770,260	245,868,044	201,770,260
Refuse	309,229,109	247,754,827	309,229,109	247,754,827
Interest	621,678,725	386,652,188	621,678,725	386,652,188
	5,264,908,620	4,335,709,277	4,882,316,564	3,992,569,662
Included in above is receivables from non-exchange transactions (taxes and transfers)				
Rates	1,824,583,151	1,545,920,000	1,824,583,151	1,545,920,000
Net balance	7,089,491,771	5,881,629,277	6,706,899,715	5,538,489,662
An amount of R83 087 103 (R 87 099 336 inclusive of VAT) was written off during 2012/13 [2011/12 = R111 208 265 (R126 777 422 inclusive of VAT)] in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby the Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and inactive accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of indigent households are written off.				
AGEING				
Rates				
Current (0 -30 days)	476,293,784	479,832,849	476,293,784	479,832,849
31 - 60 days	61,600,958	45,422,529	61,600,958	45,422,529
61 - 90 days	60,161,564	45,731,448	60,161,564	45,731,448
91 - 120 days	47,242,560	41,240,780	47,242,560	41,240,780
121 - 150 days	48,170,542	38,195,096	48,170,542	38,195,096
151 - 180 days	51,389,039	33,356,174	51,389,039	33,356,174
181 - 365 days	298,992,043	168,639,664	298,992,043	168,639,664
365 + days	780,732,661	693,501,460	780,732,661	693,501,460
	1,824,583,151	1,545,920,000	1,824,583,151	1,545,920,000
Electricity				
Current (0 -30 days)	1,217,836,422	869,378,999	1,217,836,422	869,378,999
31 - 60 days	31,192,254	21,303,134	31,192,254	21,303,134
61 - 90 days	31,176,484	26,840,993	31,176,484	26,840,993
91 - 120 days	24,318,261	22,263,464	24,318,261	22,263,464
121 - 150 days	20,676,197	17,050,776	20,676,197	17,050,776
151 - 180 days	23,458,028	19,741,776	23,458,028	19,741,776
181 - 365 days	115,648,505	107,717,873	115,648,505	107,717,873
365 + days	603,905,493	500,488,586	603,905,493	500,488,586
	2,068,211,644	1,584,785,601	2,068,211,644	1,584,785,601
Water				
Current (0 -30 days)	799,012,271	638,288,253	416,420,215	295,148,638
31 - 60 days	27,378,311	16,984,586	27,378,311	16,984,586
61 - 90 days	25,861,105	23,899,289	25,861,105	23,899,289
91 - 121 days	23,136,511	22,170,598	23,136,511	22,170,598
121 - 150 days	21,633,515	16,139,075	21,633,515	16,139,075
151 - 180 days	20,596,630	15,947,134	20,596,630	15,947,134
181 -365 days	110,094,869	107,706,637	110,094,869	107,706,637
365 + days	465,017,721	357,421,443	465,017,721	357,421,443
	1,492,730,933	1,198,557,015	1,110,138,877	855,417,400

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
22. Consumer debtors (continued)				
Other fees and levies				
Current (0 -30 days)	32,372,274	325,162,548	32,372,274	325,162,548
31 - 60 days	(439,081)	(10,023,641)	(439,081)	(10,023,641)
61 - 90 days	1,722,124	1,484,506	1,722,124	1,484,506
91 - 120 days	(1,340,313)	1,733,279	(1,340,313)	1,733,279
121 - 150 days	2,029,219	1,607,810	2,029,219	1,607,810
151 - 180 days	(1,861,518)	2,277,419	(1,861,518)	2,277,419
181 - 365 days	(12,760,140)	37,169,720	(12,760,140)	37,169,720
365 + days	507,467,600	356,777,745	507,467,600	356,777,745
	527,190,165	716,189,386	527,190,165	716,189,386
Sanitation				
Current (0 -30 days)	97,422,557	73,549,210	97,422,557	73,549,210
31 - 60 days	3,987,616	3,425,586	3,987,616	3,425,586
61 - 90 days	4,681,567	4,666,827	4,681,567	4,666,827
91 - 120 days	4,737,429	4,189,376	4,737,429	4,189,376
121 - 150 days	4,152,019	3,481,735	4,152,019	3,481,735
151 - 180 days	3,763,683	3,325,158	3,763,683	3,325,158
181 - 365 days	18,221,029	22,090,929	18,221,029	22,090,929
365 + days	108,902,144	87,041,439	108,902,144	87,041,439
	245,868,044	201,770,260	245,868,044	201,770,260
Solid waste				
Current (0 -30 days)	70,988,472	49,961,330	70,988,472	49,961,330
31 - 60 days	8,601,645	5,604,167	8,601,645	5,604,167
61 - 90 days	7,184,962	5,954,968	7,184,962	5,954,968
91 - 120 days	6,649,975	5,747,585	6,649,975	5,747,585
121 - 150 days	6,791,283	5,095,307	6,791,283	5,095,307
151 - 180 days	6,107,369	5,404,649	6,107,369	5,404,649
181 - 365 days	31,571,012	30,719,654	31,571,012	30,719,654
365 + days	171,334,391	139,267,167	171,334,391	139,267,167
	309,229,109	247,754,827	309,229,109	247,754,827
Interest				
Current (0 -30 days)	65,190,857	61,864,639	65,190,857	61,864,639
31 - 60 days	20,975,348	16,968,685	20,975,348	16,968,685
61 - 90 days	19,834,903	21,783,074	19,834,903	21,783,074
91 - 120 days	22,140,617	20,521,558	22,140,617	20,521,558
121 - 150 days	19,752,248	19,519,635	19,752,248	19,519,635
151 - 180 days	18,521,698	18,872,773	18,521,698	18,872,773
181 - 365 days	100,432,454	98,441,500	100,432,454	98,441,500
365 + days	354,830,600	128,680,324	354,830,600	128,680,324
	621,678,725	386,652,188	621,678,725	386,652,188
Ageing: Total				
Current (0 -30 days)	2,759,116,637	2,498,037,827	2,376,524,581	2,154,898,211
31 - 60 days	153,297,051	99,685,046	153,297,051	99,685,046
61 - 90 days	150,622,709	130,361,106	150,622,709	130,361,106
91 - 120 days	126,885,039	117,866,640	126,885,039	117,866,640
121 - 150 days	123,205,022	101,089,432	123,205,022	101,089,432
151 - 180 days	121,974,930	98,925,083	121,974,930	98,925,083
181 - 365 days	662,199,772	572,485,978	662,199,772	572,485,978
365 + days	2,992,190,610	2,263,178,165	2,992,190,610	2,263,178,165
	7,089,491,770	5,881,629,277	6,706,899,714	5,538,489,661

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
22. Consumer debtors (continued)				
Consumer debtors - past due and impaired				
90 days and beyond	<u>3,741,379,797</u>	<u>2,945,403,331</u>	<u>3,353,295,969</u>	<u>2,582,889,015</u>
Consumer debtors - past due and not impaired				
90 days and beyond	<u>285,075,576</u>	<u>208,141,967</u>	<u>673,159,405</u>	<u>570,656,284</u>
Note must be taken that the amounts indicated as past due and impaired and past due and not impaired will not balance back to the total age-analysis as the municipality/group only impair from 90 days onward.				
Summary of debtors by customer classification				
Consumers				
Household	4,512,230,714	3,885,788,941	4,129,638,659	3,542,649,425
Industrial/Commercial	2,072,536,774	1,509,036,730	2,072,536,772	1,509,036,730
National and Provincial Government	132,889,791	138,525,200	132,889,791	138,525,200
Other	371,834,492	348,278,406	371,834,492	348,278,406
	<u>7,089,491,771</u>	<u>5,881,629,277</u>	<u>6,706,899,714</u>	<u>5,538,489,761</u>
Households				
Current (0 -30 days)	2,013,855,075	1,508,370,691	1,631,263,019	1,165,231,176
30 - 60 days	87,254,928	56,060,486	87,254,928	56,060,486
61 - 90 days	86,323,188	74,397,333	86,323,188	74,397,333
91 - 120 days	79,585,390	102,336,658	79,585,390	102,336,658
121 - 150 days	69,929,551	58,998,275	69,929,551	58,998,275
151 - 180 days	68,880,028	60,764,226	68,880,028	60,764,226
181 -365 days	399,355,969	351,862,090	399,355,969	351,862,090
365 + days	1,707,046,586	1,672,999,181	1,707,046,586	1,672,999,181
	<u>4,512,230,715</u>	<u>3,885,788,940</u>	<u>4,129,638,659</u>	<u>3,542,649,425</u>
Industrial/ commercial				
Current (0 -30 days)	1,047,437,501	695,999,702	1,047,437,501	695,999,702
31 - 60 days	52,864,030	30,726,361	52,864,030	30,726,361
61 - 90 days	39,058,369	34,765,948	39,058,369	34,765,948
91 - 120 days	34,198,868	32,753,629	34,198,868	32,753,629
121 -150 days	38,398,637	29,757,426	38,398,637	29,757,426
151 - 180 days	40,891,597	25,071,628	40,891,597	25,071,628
181 - 365 days	210,401,351	133,036,222	210,401,351	133,036,222
365 + days	609,286,419	526,925,814	609,286,419	526,925,814
	<u>2,072,536,772</u>	<u>1,509,036,730</u>	<u>2,072,536,772</u>	<u>1,509,036,730</u>
National and provincial government				
Current (0 -30 days)	113,283,294	82,467,176	113,283,294	82,467,176
31 - 60 days	5,383,255	4,055,081	5,383,255	4,055,081
61 - 90 days	5,373,644	6,120,619	5,373,644	6,120,619
91 - 120 days	777,916	4,917,341	777,916	4,917,341
121 - 150 days	3,271,363	1,452,181	3,271,363	1,452,181
151 - 180 days	(1,672,337)	4,293,897	(1,672,337)	4,293,897
181 - 365 days	(19,818,985)	19,142,161	(19,818,985)	19,142,161
365 + days	26,291,641	16,076,744	26,291,641	16,076,744
	<u>132,889,791</u>	<u>138,525,200</u>	<u>132,889,791</u>	<u>138,525,200</u>

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
22. Consumer debtors (continued)				
Other				
Current (0 -30 days)	31,777,383	3,019,254	31,777,383	3,019,254
31 - 60 days	(8,477,686)	(2,431,889)	(8,477,686)	(2,431,889)
61 - 90 days	3,672,710	661,209	3,672,710	661,209
91 - 120 days	(1,014,415)	(237,367)	(1,014,415)	(237,367)
121 - 150 days	(1,152,326)	(314,422)	(1,152,326)	(314,422)
151 - 180 days	1,186,849	(2,266,661)	1,186,849	(2,266,661)
181 - 365 days	3,073,068	4,021,805	3,073,068	4,021,805
365 + days	342,768,909	345,826,477	342,768,909	345,826,477
	371,834,492	348,278,406	371,834,492	348,278,406
Reconciliation of allowance for impairment				
Balance at beginning of the year	(2,945,403,331)	(2,233,923,917)	(2,587,889,015)	(1,932,889,995)
Contributions to allowance	(765,406,954)	(654,999,020)	(765,406,954)	(654,999,020)
Contribution to allowance: Sandspruit	(30,569,512)	(56,480,394)	-	-
	(3,741,379,797)	(2,945,403,331)	(3,353,295,969)	(2,587,889,015)
23. Other debtors				
Gauteng Province: Housing grants	48,553,230	-	48,553,230	-
Creditors reclassification	27,810,570	-	27,810,570	-
Housing debtors	35,360,163	31,597,589	35,360,163	31,597,589
Government subsidies	-	23,655,000	-	23,655,000
Prepaid expenses	2,229,732	-	-	-
Miscellaneous	237,884,983	313,340,030	165,442,894	242,263,000
Lease revenue	58,535,276	55,814,900	58,535,276	55,814,900
DWA outstanding grant	4,750,000	4,750,000	4,750,000	4,750,000
Waste management	90,755,492	70,360,047	90,755,492	70,360,047
Sundry rentals	63,999,798	56,004,127	63,999,798	56,004,127
Sundry Persons	167,325,461	197,748,586	167,325,461	197,793,251
Public contributions	188,328,717	160,180,130	188,328,717	160,180,130
Sandspruit	-	-	34,298,530	34,298,530
RTMC: AARTO debtor	31,095,402	31,266,468	31,095,402	31,266,468
	956,628,824	944,716,877	916,255,533	907,983,042
Less: Provision For Bad debt	(374,900,434)	(286,506,764)	(374,893,214)	(286,481,321)
	581,728,390	658,210,113	541,362,319	621,501,721
AGEING				
Housing debtors				
121 - 365 days	35,360,163	31,597,589	35,360,163	31,597,589
Government subsidies				
> 365 days	-	23,655,000	-	23,655,000
Miscellaneous				
121 - 365 days	237,884,983	313,340,030	165,442,894	242,263,000
Lease revenue				
31 - 60 days	58,535,276	55,814,900	58,535,276	55,814,900
DWA outstanding grant				
> 365 days	4,750,000	4,750,000	4,750,000	4,750,000

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
23. Other debtors (continued)				
Waste Management				
61 - 90 days	90,755,492	70,360,047	90,755,492	70,360,047
Sundry rentals				
61 - 90 days	63,999,798	56,004,127	63,999,798	56,004,127
Sundry Persons				
91 - 120 days	167,325,461	197,748,586	167,325,461	197,793,251
Public contributions				
121 - 365 days	28,148,587	51,729,356	28,148,587	51,729,356
> 365 days	160,180,130	108,450,774	160,180,130	108,450,774
	188,328,717	160,180,130	188,328,717	160,180,130
Sandspruit Works Association				
> 365 days	-	-	34,298,530	34,298,530
RTMC: AARTO debtor				
121 - 365 days	19,828,934	17,654,148	19,828,934	17,654,148
> 365 days	11,266,468	13,612,320	11,266,468	13,612,320
	31,095,402	31,266,468	31,095,402	31,266,468

Other receivables from non-exchange transactions past due but not impaired

For the group, trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 581,728,390 (2012: R 658,210,113) were past due but not impaired.

For the municipality, trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 541 362 319 (2012: R 621 501 721) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	581,728,390	658,210,113	541,362,319	621,501,721
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Other receivables from non-exchange transactions

For the group as of 30 June 2013, trade and other receivables of R 956,628,824 (2012: R 944,716,877) were impaired and provided for by the group.

For the municipality as of 30 June 2013, trade and other receivables of R 916 255 533 (2012: R 907 983 042) were impaired and provided for by the municipality.

The amount of the provision was R 374,893,214 as of 30 June 2013 (2012: R 286,481,321).

The ageing of these debtors are as follows:

Over 6 months	956,628,824	944,716,877	916,255,533	907,983,042
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City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

23. Other debtors (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(286,506,764)	(274,900,358)	(286,481,321)	(274,852,557)
Contributions to provision	(116,003,067)	(62,588,529)	(116,003,067)	(62,588,529)
Write back of provision	27,591,174	50,959,765	27,591,174	50,959,765
Other: municipal entities	18,223	22,358	-	-
	(374,900,434)	(286,506,764)	(374,893,214)	(286,481,321)

24. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	335,890	332,865	323,692	323,306
Bank balances	740,631,904	643,594,056	685,794,588	603,779,219
Short-term deposits	636,003,487	323,851,507	636,003,487	323,851,507
	1,376,971,281	967,778,428	1,322,121,767	927,954,032
Cash and bank	740,967,794	643,926,921	686,118,280	604,102,525
Call investments deposits (refer to note 18)	636,003,487	323,851,507	636,003,487	323,851,507
	1,376,971,281	967,778,428	1,322,121,767	927,954,032

The municipality and municipal entities have the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
Absa - 4060738263	53,425,770	4,271,940	22,589,302	53,425,770	4,271,940	26,957,877
FNB - 51420107207	29,947,819	24,467,226	9,458,968	29,947,819	24,467,226	9,464,455
Standard - 410801453	542,419,806	509,325,696	249,163,354	564,333,136	540,182,806	303,717,749
Insurance Contingency - Absa - 4062593950	3,765,923	9,813,883	1,985,425	3,765,923	9,813,883	1,985,425
Tshwane Market - FNB - 51421161509	28,505,953	25,502,452	21,853,817	28,365,848	25,051,797	20,833,817
Nedbank - 1454121963	5,956,092	1,597,115	1,356,360	5,956,092	-	-
Municipality	664,021,363	574,978,312	306,407,226	685,794,588	603,787,652	362,959,323
Housing Company Tshwane: Absa - 4065722829	5,914,551	3,208,599	672,493	5,914,551	3,208,599	672,493
Housing Company Tshwane: Absa - 4057481879	20,439,337	14,776,125	8,588,453	20,439,336	14,776,125	8,588,453
Housing Company Tshwane: Absa - 911408066	534,490	517,671	409,444	534,490	517,671	409,444
Sandspruit: Standard - 32250738	7,336,707	2,205,649	22,150,482	7,189,506	1,572,856	21,890,068
Sandspruit: ODI Standard - 31906842	166,095	128,192	67,536	166,096	128,192	67,536
Sandspruit: ODI Standard - 738717959	3,896,360	18,508,342	16,827,485	3,896,360	18,508,342	16,827,485
Sandspruit: Absa - 4051139634	706,559	954,575	2,256,070	706,559	954,575	2,256,070
Sandspruit: Absa Money Market - 9074185817	156,627	148,477	140,799	156,012	148,477	140,799
TEDA: Standard - 410791830	15,834,405	-	-	15,834,405	-	-
Group total	719,006,494	615,425,942	357,519,988	740,631,903	643,602,489	413,811,671

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
25. Property rates				
Rates received				
Property rates	4,023,455,291	3,387,338,131	4,023,595,673	3,387,455,725
Less: Interdepartmental charges - assessment rates	(24,009,955)	(29,680,895)	(24,009,955)	(29,680,895)
	3,999,445,336	3,357,657,236	3,999,585,718	3,357,774,830
Valuations				
Residential	240,048,454,953	235,554,628,015	240,048,454,953	235,554,628,015
Other	96,113,422,156	94,486,436,697	96,113,422,156	94,486,436,697
	336,161,877,109	330,041,064,712	336,161,877,109	330,041,064,712
The land value was changed to market value according to the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value.				
No difference is made between land value and the value of improvements and only the market value appears on the valuation roll. With the implementation of the MPRA, different categories of properties are levied at different tariffs with different rebates applicable.				
Property owners of 60 years and older and/or physically or mentally disabled, who can substantiate receipt of a social pension, and owners certified by the Medical Officer of Health as physically or mentally disabled, can qualify for a rebate, subject to certain conditions.				
26. Service charges				
Sale of electricity	8,291,910,970	7,651,792,599	8,294,521,349	7,654,382,250
Sale of water	2,286,768,511	2,036,743,947	2,348,237,736	2,075,344,867
Solid waste	612,766,003	491,342,951	612,766,003	491,342,951
Sewerage and sanitation charges	607,735,647	535,611,802	571,304,418	502,650,860
Other service charges	126,476,162	160,002,041	126,476,162	160,002,041
	11,925,657,293	10,875,493,340	11,953,305,668	10,883,722,969
Less: Interdepartmental - Electricity	(160,664,536)	(127,989,054)	(160,664,536)	(127,989,054)
Less: Interdepartmental - Water	(96,867,133)	(81,745,092)	(96,867,133)	(81,745,092)
Less: Interdepartmental - Solid Waste	(14,805,449)	(11,342,335)	(14,805,449)	(11,342,335)
Less: Interdepartmental - Sanitation	(11,084,608)	(11,044,805)	(11,084,608)	(11,044,805)
Net service charges per statement of financial performance	11,642,235,567	10,643,372,054	11,669,883,942	10,651,601,683

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
27. Government grants, subsidies, awards & donations				
Operating grants				
Equitable share	1,040,630,000	923,020,000	1,040,630,000	923,020,000
Emergency Management Services subsidy	49,676,000	35,483,000	49,676,000	35,483,000
Fuel levy	1,326,054,000	1,191,521,000	1,326,054,000	1,191,521,000
Finance Management grant (FMG)	3,095,884	5,116,485	3,095,884	5,116,485
PTIS	38,179,260	3,644,603	38,179,260	3,644,603
Department Water Affairs (DWA)	2,318,533	6,926,472	2,318,533	6,926,472
Topstructure grant	45,363,566	93,056,868	45,363,566	93,056,868
Health subsidy	29,625,439	27,324,561	29,625,439	27,324,561
HIV/AIDS subsidy	5,796,674	5,310,401	5,796,674	5,310,401
Community Libraries	3,164,270	5,848,016	3,406,296	5,848,016
Other operational grants	-	2,460,768	-	2,460,768
USDG operational	48,317,310	3,060,239	48,317,310	3,060,239
Incorporation grant	-	20,000,000	-	20,000,000
Grants from CoT	1	-	-	-
	2,592,220,937	2,322,772,413	2,592,462,962	2,322,772,413
Capital grants				
INEP	30,000,000	19,861,273	30,000,000	19,861,273
Gauteng Housing	56,305,113	38,467,901	56,305,113	38,467,901
PTIS Roads and storm water	93,540,864	54,366,422	93,540,864	54,366,422
PTIS Transport	739,057,352	104,378,861	739,057,352	104,378,861
NDPG	183,447,390	48,304,204	183,447,390	48,304,204
Blue IQ	12,999,757	14,999,944	12,999,757	14,999,944
Libraries	3,761,079	4,095,163	3,761,079	4,095,163
FMG	1,433,950	322,513	1,433,950	322,513
USDG	1,012,870,611	877,902,840	1,012,870,611	877,902,840
Electricity Demand Side	10,622,559	46,360,952	10,622,559	46,360,952
Department Water Affairs	-	15,597,000	-	15,597,000
Sport and Recreation	443,360	-	443,360	-
Gautrans	1,337,104	-	1,337,104	-
Expanded Public Works Program	5,726,394	-	5,726,394	-
	2,151,545,533	1,224,657,073	2,151,545,533	1,224,657,073
	4,743,766,470	3,547,429,486	4,744,008,495	3,547,429,486

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	2,292,054,072	1,364,770,524	2,292,054,072	1,364,770,524
Unconditional grants received	2,451,782,113	1,364,770,524	2,451,782,113	2,182,658,962
	4,743,836,185	2,729,541,048	4,743,836,185	3,547,429,486

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

27. Government grants, subsidies, awards & donations (continued)

Equitable Share (DoRA)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R419.92 (2012 = R378; 2011 = R251; 2010 = R 223 and 2009 = R 186), which is funded from the grant.

Primary Health Care Subsidy (Provincial)

Current-year receipts	29,625,439	27,324,561	29,625,439	27,324,561
Conditions met - transferred to revenue	(29,625,439)	(27,324,561)	(29,625,439)	(27,324,561)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 11)

The group renders health services on behalf of the Provincial Government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services. The conditions of the subsidy has been met.

Emergency Management Services Subsidy (Provincial)

Current-year receipts	49,676,000	47,901,500	49,676,000	47,901,500
Conditions met - transferred to revenue	(49,676,000)	(47,901,500)	(49,676,000)	(47,901,500)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 11)

The group renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and effective emergency care. This grant has been used exclusively to fund the rendering of ambulance services. The conditions of the subsidy have been met.

Gauteng Sport & Recreation (Loftus Upgrade) (DoRA)

Department of Water Affairs & Forestry (DoRA)

Balance unspent at beginning of year	290,366	3,441,339	290,366	1,149,838
Current-year receipts	2,227,000	24,470,919	2,227,000	22,619,000
Conditions met - transferred to revenue	(2,318,533)	(26,666,892)	(2,318,533)	(22,523,472)
Returned to National Treasury	(194,000)	(955,000)	(194,000)	(955,000)
	4,833	290,366	4,833	290,366

Conditions still to be met - remain liabilities (see note 11)

The balance consists of the unspent portion of the 2012/13 financial year to date. An amount of R194 000 (R955 000 returned during 2012) has been returned to National Treasury with regard to the unspent balance of 2011/12.

The purpose of this grant is to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department and transfer these schemes to local government. This grant was received for the supply of water services for community upliftment.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
27. Government grants, subsidies, awards & donations (continued)				
Electricity for All (INEP) (DoRA)				
Balance unspent at beginning of year	1,526,000	1,526,274	1,526,000	1,526,274
Current-year receipts	30,000,000	21,000,000	30,000,000	21,000,000
Conditions met - transferred to revenue	(30,000,000)	(21,000,000)	(30,000,000)	(21,000,000)
Returned to National Treasury	(1,526,000)	(1,139,000)	(1,526,000)	(1,139,000)
Prior year restatements	-	1,138,726	-	1,138,726
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
		1,526,000		1,526,000

Conditions still to be met - remain liabilities (see note 11)

An amount of R1 139 000 was already repaid to National Treasury during 2011/12 and an amount of R1 526 000 was repaid to National Treasury during 2012/13.

The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to local government to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Finance Management Grant (FMG) (DoRA)

Balance unspent at beginning of year	-	938,998	-	938,998
Current-year receipts	5,000,000	5,250,000	5,000,000	5,250,000
Conditions met - transferred to revenue	(4,529,834)	(5,438,998)	(4,529,834)	(5,438,998)
Returned	-	(750,000)	-	(750,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
	470,166	<hr/>	470,166	<hr/>

Conditions still to be met - remain liabilities (see note 11)

The balance consists of the unspent portion of the 2012/13 financial year to date and the balance has already been committed to projects in the 2013/14 financial year.

An amount of R750 000 relating to the previous year was returned to National Treasury during 2011/12.

The purpose of this grant was to promote support reforms in financial management by building capacity in local government to implement the Local Government: Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in local government the grant provides funding for water and energy internship program to graduates in selected ward boards and local government.

Restructuring grant (DoRA)

Balance unspent at beginning of year	-	11,479,345	-	11,479,345
Prior year restatements	-	91,655	-	91,655
Returned	-	(11,571,000)	-	(11,571,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
	-	<hr/>	-	<hr/>

Conditions still to be met - remain liabilities (see note 11)

An amount of R11 571 000 relating to the previous year was returned to National Treasury during 2011/12.

This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy.

City of Tshwane Metropolitan Municipality

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
27. Government grants, subsidies, awards & donations (continued)				

Housing Grants (Provincial)

Balance unspent at beginning of year	93,758,781	40,571,990	93,758,781	40,571,990
Current-year receipts	30,043,380	184,711,560	30,043,380	184,711,560
Conditions met - transferred to revenue	(101,668,679)	(131,524,769)	(101,668,679)	(131,524,769)
Transfers	48,553,230	-	48,553,230	-
	70,686,712	93,758,781	70,686,712	93,758,781

Conditions still to be met - remain liabilities (see note 11)

The balance consists of amounts received in advance for the 2013/14 financial year.

Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to local government for housing development. Local government are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.

Urban Settlement Development Grant (USDG) (previously MIG) (DoRA)

Balance unspent at beginning of year	10,117,921	-	10,117,921	-
Current-year receipts	1,051,070,000	891,081,000	1,051,070,000	891,081,000
Conditions met - transferred to revenue	(1,061,187,921)	(880,963,079)	(1,061,187,921)	(880,963,079)
	-	10,117,921	-	10,117,921

Conditions still to be met - remain liabilities (see note 11)

Request for roll over of the balance of 2011/12 was approved by National Treasury.

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

Public Transport Infrastructure System Grant (PTIS) (DoRA)

Balance unspent at beginning of year	137,609,647	282,319,532	137,609,647	282,319,532
Current-year receipts	748,702,000	200,000,000	748,702,000	200,000,000
Conditions met - transferred to revenue	(870,777,477)	(162,389,885)	(870,777,477)	(162,389,885)
Returned to National Treasury	-	(182,320,000)	-	(182,320,000)
	15,534,170	137,609,647	15,534,170	137,609,647

Conditions still to be met - remain liabilities (see note 11)

The balance consists of the unspent portion of the 2013/14 financial year to date. A request for roll-over has been submitted to National Treasury.

An amount of R182 320 000 relating to previous years has already been returned to National Treasury during 2011/12.

The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.

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	2013	2012	2013	2012
	R	Restated R	R	Restated R

27. Government grants, subsidies, awards & donations (continued)

HIV and AIDS (Provincial Health Department)(Provincial)

Balance unspent at beginning of year	89,650	303,052	89,650	303,052
Current-year receipts	9,908,000	5,097,000	9,908,000	5,097,000
Conditions met - transferred to revenue	(5,796,673)	(5,310,402)	(5,796,673)	(5,310,402)
	4,200,977	89,650	4,200,977	89,650

Conditions still to be met - remain liabilities (see note 11)

A request was submitted by the department for the roll forward of the unspent portion of the subsidy at year end as the payments have already been committed in the next financial year.

The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support wards structures to address AIDS in the local community.

2010 Host Cities (DoRA)

Balance unspent at beginning of year	-	2,125,801	-	2,125,801
Conditions met - transferred to revenue	-	(5,500)	-	(5,500)
Transfers	-	(2,120,301)	-	(2,120,301)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 11)

This grant was received for the expenditures of the 2010 World Cup Soccer Host Cities.

Neighbourhood Development Programme (DoRA)

Balance unspent at beginning of year	34,017,099	381,813	34,017,099	381,813
Current-year receipts	152,000,000	82,000,000	152,000,000	82,000,000
Conditions met - transferred to revenue	(183,447,389)	(48,304,204)	(183,447,389)	(48,304,204)
Transfers	-	(60,510)	-	(60,510)
Returned to National Treasury	(382,000)	-	(382,000)	-
	2,187,710	34,017,099	2,187,710	34,017,099

Conditions still to be met - remain liabilities (see note 11).

The balance consists of the unspent portion of the 2012/13 financial year to date. A request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

An amount of R382 000 has been returned to National Treasury during 2012/13.

The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development towards improving the quality of life of residents in targeted under served neighbourhoods (townships generally).

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
27. Government grants, subsidies, awards & donations (continued)				

Community Library Services (Provincial Department of Sport, Arts, Culture and Recreation)

Balance unspent at beginning of year	4,429,968	1,673,147	4,429,968	1,673,147
Current-year receipts	5,190,000	12,700,000	5,190,000	12,700,000
Conditions met - transferred to revenue	(7,167,375)	(9,943,179)	(7,167,375)	(9,943,179)
Transfers	300,000	-	300,000	-
	2,752,593	4,429,968	2,752,593	4,429,968

Conditions still to be met - remain liabilities (see note 11).

The balance consists of the unspent portion of the 2012/13 financial year to date. A request was submitted for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.

The purpose of the grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial and local government level and to provide the best possible sport and recreation facilities and service to all people in Tshwane to enhance their quality of life.

Local Economic Development (Provincial)

Balance unspent at beginning of year	8,750,000	8,750,000	8,750,000	8,750,000
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Conditions still to be met - remain liabilities (see note 11).

The balance consist of the unspent portion of 2010/11.

The purpose of the grant is in support of the urban renewal programme. An assessment has been undertaken on the requirements and a scope exercise conducted looking at the viability of current projects which the department is undertaking in other townships. The grant could not be utilised in the 2012/13 financial year as the agreement was not yet signed.

Gautrans job creation (DoRA)

Balance unspent at beginning of year	1,408,211	1,408,211	1,408,211	1,408,211
Conditions met - transferred to revenue	(1,337,104)	-	(1,337,104)	-
	71,107	1,408,211	71,107	1,408,211

Conditions still to be met - remain liabilities (see note 11).

The balance consists of funds from the previous financial year, a request was received from the relevant Department for the rollover of the balance.

Expanded Public Works Programme (EPWP) (DoRA)

Current-year receipts	10,151,000	-	10,151,000	-
Conditions met - transferred to revenue	(5,726,394)	-	(5,726,394)	-
	4,424,606	-	4,424,606	-

Conditions still to be met - remain liabilities (see note 11).

The balance consists of the unspent portion of the 2012/13 financial year to date.

The purpose of this grant was to encourage local authorities and provincial departments to increase job creation efforts in infrastructure, environment and culture programs through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Program guidelines.

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27. Government grants, subsidies, awards & donations (continued)				

Sandspruit Works Association grants

Balance unspent at beginning of year	1,853,016	2,291,501	-	-
Current-year receipts	1,800,255	704,934	-	-
Conditions met - transferred to revenue	(2,489,029)	(1,143,419)	-	-
	1,164,242	1,853,016	-	-

Conditions still to be met - remain liabilities (see note 11).

The above amounts consist of the New Meter and repeat offenders project and the Housing project of Sandspruit Works Association. These funds will be utilised in the following financial year.

Blue IQ

Balance unspent at beginning of year	24,998,876	39,998,820	24,998,876	39,998,820
Conditions met - transferred to revenue	(12,999,757)	(14,999,944)	(12,999,757)	(14,999,944)
	11,999,119	24,998,876	11,999,119	24,998,876

Conditions still to be met - remain liabilities (see note 11).

This amount was received in advance and will be ring-fenced until the project has been finalised.

This amount was received with the purpose of ring-fencing a contribution towards bulk contributions for electricity infrastructure supply.

LG SETA Merit awards

Balance unspent at beginning of year	-	5,625	-	5,625
Transfers	-	(5,625)	-	(5,625)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 11).

This money is an award for skills development. The purpose is to strengthen the group's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.

Public Works

Current-year receipts	-	930,000	-	930,000
Conditions met - transferred to revenue	-	(928,490)	-	(928,490)
Transfers	-	(1,510)	-	(1,510)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 11).

The grant was received from Public Works for the repair of the Basden Street sinkhole.

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
27. Government grants, subsidies, awards & donations (continued)				

Sport and Recreation

Balance unspent at beginning of year	515,977	515,977	515,977	515,977
Current-year receipts	-	21,000,000	-	21,000,000
Conditions met - transferred to revenue	(443,360)	(21,000,000)	(443,360)	(21,000,000)
	72,617	515,977	72,617	515,977

Conditions still to be met - remain liabilities (see note 11).

The department will request for a roll over of the balance to be utilised in the 2012/13 financial year.

This amount was received during 2010/11 for the HM Pitje Stadium.

Drakensberg Promotions

Current-year receipts	-	132,529	-	132,529
Conditions met - transferred to revenue	-	(94,250)	-	(94,250)
Transfers	-	(38,279)	-	(38,279)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 11).

These funds are a donation for the development density programme in the Northern Areas.

Performance Management (DPLG) (DoRA)

Balance unspent at beginning of year	268,665	-	268,665	-
Current-year receipts	-	1,500,000	-	1,500,000
Conditions met - transferred to revenue	-	(1,231,335)	-	(1,231,335)
	268,665	268,665	268,665	268,665

Conditions still to be met - remain liabilities (see note 11).

These funds were received to provide funding for the upgrading of the group's performance management system, the quality performance result system and the enterprise project management system to include the newly merged municipalities.

Electricity Demand Side

Balance unspent at beginning of year	29,523	2,531,158	29,523	2,531,158
Current-year receipts	11,000,000	44,000,000	11,000,000	44,000,000
Conditions met - transferred to revenue	(10,622,559)	(46,501,635)	(10,622,559)	(46,501,635)
	406,964	29,523	406,964	29,523

Conditions still to be met - remain liabilities (see note 11).

The department has requested a roll over of the unspent portion from Department Mineral and Energy and National Treasury.

The purpose of this grant is to provide subsidies to local government to implement Electricity Demand Side Management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
27. Government grants, subsidies, awards & donations (continued)				

Revenue Enhancement

Current-year receipts	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>	<u>-</u>
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Conditions still to be met - remain liabilities (see note 11).

This once off allocation was received from the Department of Local Government to assist with revenue enhancement programmes.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

28. Other income

Market fees	112,883,363	97,750,161	112,883,363	97,750,161
Land sales	7,860,281	1,493,912	7,860,281	1,493,912
Sale of unusable stock	10,047,163	2,997,043	10,047,163	2,997,043
Drain cleaning fees	1,117,468	1,170,355	1,117,468	1,170,355
AARTO fines	33,710,463	47,790,991	33,710,463	47,790,991
Interest on property sales	615,840	263,223	615,840	263,223
Donated:Assets	16,800	84,000	16,800	84,000
Dumping fees	189,554	493,382	189,554	493,382
Building plan fees	35,693,850	25,806,907	35,693,850	25,806,907
Income from grave services	6,020,299	5,202,005	6,020,299	5,202,005
Refund: Motor vehicles licences	71,303,680	66,927,537	71,303,680	66,927,537
Training fees recovered	22,099,298	25,686,003	22,099,298	25,686,003
Newly identified assets	27,314,221	12,981,218	27,314,221	12,981,218
Insurance claims	52,765,427	42,151,721	52,765,427	42,151,721
Bontle ke Botho award	684,388	353,135	684,388	353,135
Sundry fees	8,961,096	8,253,607	4,847,419	6,414,720
Airside income	3,710,240	4,515,991	3,710,240	4,515,991
Ambulance fees	1,981,669	5,566,923	1,981,669	5,566,923
Reminder fees	32,204,098	39,350,729	32,204,098	39,350,729
Discount on prompt payments	919,256	453,486	919,256	453,486
Approval fees: advertisements	29,495,569	39,272,765	29,495,569	39,272,765
Tshwane Inner City	14,051,324	19,233,473	14,051,324	19,233,473
Cemetery fees	4,737,777	4,741,446	4,737,777	4,741,446
Application fees	4,072,543	2,658,843	4,072,543	2,658,843
Income from bulk containers	124,638	405	124,638	405
Sales: Aeroplane fuel	34,279,365	34,439,614	34,279,365	34,439,614
Transport fees	33,360,990	43,509,528	33,360,990	43,509,528
Miscellaneous	119,626,764	96,459,537	119,626,764	96,459,537
	<u>669,847,424</u>	<u>629,607,940</u>	<u>665,733,747</u>	<u>627,769,053</u>

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
29. Employee related costs				
Salaries and wages	3,541,158,820	3,227,680,510	3,480,674,930	3,170,328,807
Bonus	507,034	-	-	-
Medical aid contributions	283,299,567	259,663,879	276,214,189	253,309,926
UIF	27,899,812	24,339,510	27,501,556	23,971,510
Leave pay provision charge	830,479	2,518,592	-	-
Pension fund contributions	663,720,487	527,133,670	655,805,420	519,602,678
Travel, motor car, subsistence and other allowances	258,511,544	246,704,278	258,511,544	246,704,278
Overtime payments	270,646,423	302,506,855	270,646,423	302,506,855
Long-service awards	7,530,022	7,975,137	7,530,022	7,975,137
Incentive bonuses	299,074	474,808	299,074	474,808
Other allowances	195,810,202	165,837,100	194,525,479	165,170,313
Housing benefits and allowances	23,379,889	22,584,849	22,624,247	21,984,094
Compensation commissioner (COIDA)	31,370,195	27,866,081	31,370,195	27,866,081
	5,304,963,548	4,815,285,269	5,225,703,079	4,739,894,487
Remuneration of City Manager				
Annual Remuneration	2,669,156	1,750,000	2,669,156	1,750,000
Cell phone allowance	24,000	24,000	24,000	24,000
Non pension allowance	-	750,000	-	750,000
Other	858	-	858	-
	2,694,014	2,524,000	2,694,014	2,524,000
Remuneration of Deputy City Managers				
Annual Remuneration	7,590,764	5,129,727	7,590,764	5,129,727
Travel allowance	648,000	648,000	648,000	648,000
Cell phone allowance	86,400	86,400	86,400	86,400
Non pension allowance	-	1,329,585	-	1,329,585
Other	85,475	-	85,475	-
	8,410,639	7,193,712	8,410,639	7,193,712
There are 4 Deputy City Managers appointed during 2011/12 which relate to the above figures.				
Remuneration of Chief Financial Officer				
Annual Remuneration	3,368,911	2,270,652	1,762,283	1,155,000
Car Allowance	60,000	60,000	60,000	60,000
Bonus and performance related payments	165,288	350,590	-	-
Contributions to UIF, Medical and Pension Funds	155,685	178,062	-	39,338
Cell phone allowance	21,600	21,600	21,600	21,600
Non pension allowance	-	395,662	-	395,662
Other	79,178	67,060	1,430	-
	3,850,662	3,343,626	1,845,313	1,671,600

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
29. Employee related costs (continued)				
Remuneration: Strategic Executive Directors reporting to the City Manager				
Annual Remuneration	17,842,647	12,047,392	15,769,633	9,791,852
Car Allowance	1,223,893	1,730,400	1,223,893	1,730,400
Bonus and performance related payments	138,840	131,779	-	-
Contributions to UIF, Medical and Pension Funds	414,474	1,347,288	-	880,989
Cell phone allowance	228,436	204,000	228,436	204,000
Non pension allowance	-	2,348,721	-	2,348,721
Other	608,117	169,539	101,173	-
	20,456,407	17,979,119	17,323,135	14,955,962
Remuneration: Strategic Executive Directors reporting to the Deputy City Managers				
Annual Remuneration	14,524,202	-	14,524,202	-
Car Allowance	1,073,800	-	1,073,800	-
Cell phone allowance	214,200	-	214,200	-
Other	305,169	-	305,169	-
	16,117,371	-	16,117,371	-
Remuneration: Technical services				
Annual Remuneration	4,643,464	2,639,714	4,067,963	2,039,688
Car Allowance	490,636	1,128,000	490,636	1,128,000
Bonus and performance related payments	38,185	35,521	-	-
Contributions to UIF, Medical and Pension Funds	158,997	246,953	-	102,264
Cell phone allowances	57,436	43,200	57,436	43,200
Non pension allowance	-	421,488	-	421,488
Other	184,808	58,633	15,523	-
	5,573,526	4,573,509	4,631,558	3,734,640
Remuneration: Corporate Services				
Annual Remuneration	22,407,663	2,652,902	20,910,150	997,388
Car Allowance	1,652,057	96,000	1,652,057	96,000
Bonus and performance related payments	100,655	96,258	-	-
Contributions to UIF, Medical and Pension Funds	255,477	345,442	-	23,832
Cell phone allowances	304,200	21,600	304,200	21,600
Non pension allowance	-	307,620	-	307,620
Other	508,682	110,906	171,023	-
	25,228,734	3,630,728	23,037,430	1,446,440
Remuneration: Community Services				
Annual Remuneration	5,315,722	6,754,776	5,315,722	6,754,776
Car Allowance	155,000	506,400	155,000	506,400
Contribution to UIF, Medical and Pension Funds	-	754,893	-	754,893
Cell phone allowances	81,000	139,200	81,000	139,200
Non pension allowance	-	1,619,613	-	1,619,613
Other	219,794	-	219,794	-
	5,771,516	9,774,882	5,771,516	9,774,882

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
29. Employee related costs (continued)				
Chief Executive Officer - municipal entities				
Annual Remuneration	3,543,999	2,509,856	-	-
Bonus and performance related payments	118,720	-	-	-
Pension fund contributions	377,828	-	-	-
Other	261,417	112,044	-	-
	4,301,964	2,621,900	-	-
Directors - municipal entities				
Non-executive directors: Board fees	2,979,796	684,388	-	-
30. Remuneration of councillors				
Executive Mayor's allowance	-	44,466	-	44,466
Councillors' allowances	90,229,586	60,436,125	90,229,586	60,436,125
Councillors' pension contribution	-	24,658	-	24,658
Travelling allowance	69,340	28,944,567	69,340	28,944,567
Councillor's housing allowance	2,274,368	2,003,554	2,274,368	2,003,554
	92,573,294	91,453,370	92,573,294	91,453,370
In-kind benefits				
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the group.				
According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.				
31. Depreciation and amortisation				
Depreciation: Property, plant & equipment	994,494,464	908,902,940	992,211,805	906,157,933
Depreciation: Leased assets	93,071,504	108,856,080	93,071,504	108,856,080
Depreciation: Rehabilitation assets	15,555,192	15,479,502	15,555,192	15,479,502
	1,103,121,160	1,033,238,522	1,100,838,501	1,030,493,515
32. Finance costs				
Long-term liabilities (external loans)	613,076,566	540,163,399	612,612,933	539,657,344
Interest rate swaps	18,323,257	-	18,323,257	-
Finance leases	22,187,305	34,048,958	22,187,305	34,048,958
Bank overdraft	2,457,207	4,475,149	2,066,013	4,116,643
Other finance costs (Bank charges, transit banking, etc)	59,836,592	33,199,718	59,836,592	33,199,718
Amortisation: provisions	24,393,852	21,328,128	24,393,852	21,328,128
	740,274,779	633,215,352	739,419,952	632,350,791
33. Investment revenue				
Interest revenue (interest received)				
Bank	14,967,352	8,953,289	14,941,306	8,953,289
Investments	18,896,344	5,639,381	18,330,910	4,890,652
Long-term investments	25,053,648	31,472,505	25,053,648	31,472,505
Contingency Insurance	3,910,664	6,868,654	3,910,664	6,868,654
	62,828,008	52,933,829	62,236,528	52,185,100

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
34. Debt impairment				
Contributions to bad debt provision	810,832,622	765,704,853	784,467,969	718,752,441
Amounts written off	140,786,714	138,244,917	89,835,947	102,462,627
	<u>951,619,336</u>	<u>903,949,770</u>	<u>874,303,916</u>	<u>821,215,068</u>
35. Bulk purchases				
Electricity	5,551,631,193	5,140,057,894	5,554,222,722	5,142,633,005
Water	1,143,780,213	1,032,062,445	1,238,831,841	1,116,142,163
	<u>6,695,411,406</u>	<u>6,172,120,339</u>	<u>6,793,054,563</u>	<u>6,258,775,168</u>
36. Grants and subsidies paid				
Other subsidies				
Grants-In-Aid: Property Rates	<u>17,290,290</u>	<u>21,495,798</u>	<u>17,290,290</u>	<u>21,495,798</u>

The grant-in-aid is in respect of the funding of Non-Governmental Organisation involved in empowerment programs for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.

The City of Tshwane has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the municipality in writing, for such grant-in-aid.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
37. General expenses				
Consumables	19,126,442	14,878,440	19,126,442	14,878,440
Heating fuel	13,802,364	14,108,859	13,802,364	14,108,859
Auditors remuneration	24,903,034	21,061,228	23,291,888	19,995,426
Commission paid	24,682,525	-	24,682,525	-
Professional service	15,724,414	2,994,269	15,724,414	2,994,269
Cleaning services	22,782,154	20,493,058	21,644,099	19,392,322
Lease expense reclassification	(117,000,229)	(164,033,680)	(117,000,229)	(164,033,680)
Protective clothing	16,192,222	25,260,261	15,905,689	24,805,335
Chemicals	30,164,459	25,579,479	30,164,459	25,579,479
Gratuities	18,189,147	14,469,945	18,189,147	14,469,945
Rental of plant and equipment	279,887,284	331,160,498	279,887,284	331,160,498
Refreshments meetings	15,156,394	2,526,420	15,156,394	2,526,420
Insurance	92,690,312	70,013,035	91,684,871	69,027,136
LED initiatives	18,833,159	-	18,833,159	-
Imbizo	16,357,714	3,915,634	16,357,714	3,915,634
End user support	25,138,984	20,171,013	25,138,984	20,171,013
Implementation: OITPS	66,794,759	59,850,386	66,794,759	59,850,386
Postage	19,861,017	18,226,227	19,861,017	18,226,227
Lease rentals on operating lease	5,374,581	5,720,752	-	-
USDG grant expenditure	48,317,310	3,060,239	48,317,310	3,060,239
Leasing of property	167,187,275	161,444,351	167,187,275	161,444,351
Advertising and marketing	15,169,055	18,224,237	14,127,399	17,570,687
Post employment benefit expenses	167,731,022	54,439,588	167,731,022	54,439,588
Consultant fees	38,958,304	34,307,415	33,987,479	31,321,368
Private sector labour	32,412,877	42,815,923	32,412,877	42,815,923
Electricity disconnections	30,643,161	38,376,184	30,643,161	38,376,184
Telecommunication	90,446,245	122,779,890	88,985,697	121,497,273
Service providers	14,054,046	77,099,963	163,416,231	150,421,448
Project linked housing	45,363,566	93,056,868	45,363,566	93,056,868
Special projects	494,927	30,425,093	494,927	30,425,093
Leased vehicles (VAT)	112,139,118	162,442,883	112,139,118	162,442,883
Coal	86,612,553	209,885,226	86,612,553	209,885,226
EPWP: Job creation	83,896,475	29,191,304	83,896,475	29,191,304
Management information	33,308,762	20,124,441	33,308,762	20,124,441
Subsistance and travelling	15,411,939	197,245	15,133,943	143,778
Formalisation: Informal sector	51,248,798	33,648,095	51,248,798	33,648,095
Medical aid fund	47,644,760	43,612,405	47,644,760	43,612,405
Water care: Private	44,236,069	39,457,339	44,236,069	39,457,339
Locomotion allowance	22,341,014	20,464,804	22,341,014	20,464,804
Household refuse removal	211,498,713	148,380,058	211,498,713	148,380,058
Rental vehicles - vatable	63,201,339	47,894,549	63,201,339	47,894,549
Tanker water services	28,242,459	32,912,773	28,242,459	32,912,773
CCTV	26,484,889	26,232,790	26,484,889	26,232,790
Petrol and diesel fuel	220,935,326	199,239,481	220,935,326	199,239,481
Prepaid Electricity Commission	7,340,359	17,811,447	7,340,359	17,811,447
Legal costs	25,615,372	32,208,563	25,571,498	32,143,605
Licences	46,229,813	31,862,511	46,228,673	31,862,511
Stationery	24,001,161	25,857,840	23,275,333	25,458,688
Topstructure toilets	13,240,000	10,959,204	13,240,000	10,959,204
PTIS grant expenditure	38,179,260	3,644,603	38,179,260	3,644,603
Tshwane House	48,625,934	-	48,625,934	-
Tshwane Inner City	9,043,142	19,233,473	9,043,142	19,233,473
Internet fees	18,998,337	27,281,451	18,998,337	27,281,451
Training board fees	43,171,324	38,348,260	43,171,324	38,348,260
Newly identified assets	(97,914,663)	-	(97,914,663)	-
Events management	86,967,754	161,838	86,967,754	161,838
Watchmen services	254,567,558	221,508,745	247,244,579	216,904,432
Other expenses	370,287,328	145,620,431	340,205,542	144,863,871
	3,194,993,417	2,750,607,334	3,289,013,214	2,803,800,040

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
38. Cash generated from operations				
Surplus	1,909,987,522	1,974,195,741	1,887,398,869	1,981,003,031
Adjustments for:				
Depreciation and amortisation	1,103,121,160	1,033,238,522	1,100,838,501	1,030,493,515
(Loss) /gain on sale of assets and liabilities	268,847,768	82,522,739	268,585,708	82,522,739
Fair value adjustments	(79,227,638)	264,454	(81,898,475)	264,454
Impairment deficit	4,818,771	29,807,842	4,818,771	29,807,842
Debt impairment	951,619,336	903,949,770	874,303,916	821,215,068
Movements in operating lease assets and accruals	(2,357,215)	(5,014,175)	(2,138,855)	(5,422,602)
Movements in retirement benefit assets and liabilities	167,731,022	88,157,754	167,731,022	88,157,754
Movements in provisions	25,120,585	20,803,351	26,731,373	20,462,561
Annual charge for deferred tax	(824,863)	-	-	-
Changes in working capital:				
Inventories	15,223,369	(88,488,332)	15,477,405	(88,075,876)
Other debtors	76,481,723	(237,805,007)	80,139,402	(130,475,539)
Consumer debtors	(1,342,314,514)	(1,061,794,894)	(1,256,116,165)	(997,870,280)
Payables from exchange transactions	501,884,970	1,210,894,020	496,066,832	1,123,371,125
VAT	(189,859,733)	121,832,042	(189,869,476)	126,821,697
Unspent grants and receipts	(193,169,219)	(78,307,382)	(192,480,445)	(77,868,897)
Consumer deposits	14,716,396	47,336,264	14,307,273	47,012,428
	3,231,799,440	4,041,592,709	3,213,895,656	4,051,419,020
39. Utilisation of Long-term liabilities reconciliation				
Long-term liabilities raised	8,302,036,464	6,434,887,866	8,298,916,153	6,431,452,172
Used to finance property, plant and equipment	(11,434,293,125)	(9,877,323,224)	(11,425,473,034)	(9,873,888,530)
Cash set aside for the repayment of long-term liabilities	(3,132,256,661)	(3,442,435,358)	(3,126,556,881)	(3,442,436,358)
	(310,310,086)	(282,571,456)	(310,310,086)	(282,571,456)
	(3,442,566,747)	(3,725,006,814)	(3,436,866,967)	(3,725,007,814)
Long-term liabilities have been utilized in accordance with the Local Government: Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.				
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act				
Contributions to organised local government				
Current year subscription / fee	2,833,516	1,861,602	2,833,516	1,861,602
Amount paid - current year	(2,833,516)	(1,861,602)	(2,833,516)	(1,861,602)
	-	-	-	-
Audit fees				
Opening balance	-	951,750	-	951,750
Current year audit fee	29,527,652	26,401,686	26,963,247	24,753,877
Amount paid - current year	(29,527,652)	(26,401,686)	(26,963,247)	(24,753,877)
Amount paid - previous years	-	(951,750)	-	(951,750)
	-	-	-	-

The balance of the previous financial year was paid in the following financial year.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
40. Additional disclosure in terms of the Local Government: Municipal Finance Management Act (continued)				
PAYE and UIF				
Opening balance	57,010,214	51,815,751	56,167,453	51,166,441
Current year payroll deductions	733,723,985	68,104,374	721,058,752	670,062,489
Amount paid - current year	(667,086,244)	(624,033,529)	(656,421,458)	(613,895,036)
Amount paid - previous years	(57,010,214)	(51,815,751)	(56,167,453)	(51,166,441)
	66,637,741	(555,929,155)	64,637,294	56,167,453
Pension and Medical Aid Deductions				
Opening balance	1,832	-	-	-
Current year payroll deductions and council contributions	1,380,863,606	1,161,084,141	1,368,280,008	1,150,295,107
Amount paid - current year	(1,380,762,567)	(1,161,082,309)	(1,368,280,008)	(1,150,295,107)
	102,871	1,832	-	-
Councillors' arrear consumer accounts				
The under mentioned Councillors had arrear accounts outstanding as at 30 June 2013.				
# These councillors have made arrangements to pay off their arrear debt				
30 June 2013		Less than 90 days	More than 90 days	Total R
Boshomane M J	2,048	472	2,520	
Buthelezi M M #	-	12,260	12,260	
Campbell A W #	1,761	1,929	3,690	
Joosub U #	-	6,869	6,869	
Keun A J	51	4,228	4,279	
Mabelane V P	409	35	444	
Mabelane V P	3,209	57,271	60,480	
Mathebe M R #	2,551	629	3,180	
Mathebe R K	145	48	193	
Matsena M M #	-	4,693	4,693	
Matjila M G	6,469	12,576	19,045	
Mohlala R J B	2,479	219	2,698	
Ndlovana A A	1,876	675	2,551	
Ngwenya C B #	-	1,392	1,392	
Phala P M	4,179	14,840	19,019	
Thobejane H S	-	8,771	8,771	
	25,177	126,907	152,084	

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

30 June 2012	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
Joosub U #		-	28,614	28,614
Campbell A W #		-	2,286	2,286
Singh S #		1,388	6,171	7,559
Makitla N B #		-	6,163	6,163
Makeke D V & N P		3,152	25,176	28,328
Nkosi W M S		533	4,506	5,039
Marema M P		4,993	73,702	78,695
Matsena M M #		2,089	21,647	23,736
Matthebe M R #		-	4,785	4,785
Katake N S		327	546	873
Nemuthenga L N		501	3,545	4,046
Morudu M T & M G #		788	9,519	10,307
Marotola		376	1,530	1,906
Buthelezi F K & N L E		-	16,749	16,749
Maila K P & V H S		-	6,667	6,667
Makgatho & Bofu A L & J T		248	435	683
Thobejane H S		653	18,883	19,536
Boshoff C H		3,933	4,908	8,841
Wannenburg D G		2,512	2,557	5,069
	21,493		238,389	
				259,882

These councillors made arrangements to pay off their arrear debt.

41. Non-compliance with applicable legislation

Local Government: Municipal Finance Management Act: Section 71

TEDA: The entity did not submit monthly financial statements to the City of Tshwane Metropolitan Municipality for the period July 2012 to February 2013 as the management of TEDA was only established after February 2013.

Local Government: Municipal Finance Management Act: Section 65(e) and Section 99(2)(b)

All invoices are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression.

Local Government: Municipal Finance Management Act: Section 87

TEDA: The entity did not submit its budget to the City of Tshwane Metropolitan Municipality within 150 days as the management of TEDA was only established after February 2013.

Local Government: Municipal Systems Act: Section 5A(1) and 5A(2)

All employees did not declare their interest in terms of section 5A(1) and 5A(2) of the code of conduct for municipal staff members as promulgated by schedule 2 of the Local Government: Municipal Systems Act.

Supply Chain Management Regulations

In terms of Supply Chain Management Regulation 44 awards may not be made to a person who is in service of the state. Awards were made by the group to persons who are in the service of the state.

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
42. Commitments (only applicable to municipality)				
Authorised capital expenditure				
Approved and contracted for				
• Infrastructure	3,128,537,287	3,262,603,977	3,128,537,287	3,262,603,977
• Community	686,869,128	444,150,806	686,869,128	444,150,806
• Other	354,750,000	423,114,000	354,750,000	423,114,000
• Housing	25,200,000	25,955,044	25,200,000	25,955,044
	4,195,356,415	4,155,823,827	4,195,356,415	4,155,823,827
Approved but not yet contracted for				
• Infrastructure	117,400,000	68,172,072	117,400,000	68,172,072
• Community	25,400,000	80,700,000	25,400,000	80,700,000
• Other	7,100,000	48,351,000	7,100,000	48,351,000
	149,900,000	197,223,072	149,900,000	197,223,072
	4,345,256,415	4,353,046,899	4,345,256,415	4,353,046,899
This expenditure will be financed from:				
Council funding	501,895,446	637,383,777	501,895,446	637,383,777
Borrowings	1,600,000,000	1,640,000,000	1,600,000,000	1,640,000,000
Other contributions	12,000,000	14,355,044	12,000,000	14,355,044
FMG (Financial Management Grant)	500,000	500,000	500,000	500,000
CLS (Community Library Services)	1,000,000	2,300,000	1,000,000	2,300,000
Public Contributions and Donations	95,900,000	88,571,223	95,900,000	88,571,223
EPWP Incentive (Expanded Public Works Programme)	-	10,151,000	-	10,151,000
Capital replacement reserve	50,422,000	63,260,000	50,422,000	63,260,000
DWA - Department of Water Affairs	14,000,000	-	14,000,000	-
Human Settlements Development Grant (Government Housing)	58,029,000	72,186,855	58,029,000	72,186,855
PTIS	595,398,969	738,702,000	595,398,969	738,702,000
Urban Settlements Development Grant	1,250,611,000	996,070,000	1,250,611,000	996,070,000
National Electrification Fund/INEP	65,000,000	300,000	65,000,000	30,000,000
Social Infrastructure grant	500,000	-	500,000	-
Neighbourhood Development Partnership Grant	100,000,000	59,567,000	100,000,000	59,567,000
	4,345,256,415	4,323,346,899	4,345,256,415	4,353,046,899

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

Figures in Rand

43. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Group - 2013

	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance	109,653,107	131,648,915	128,851,478	11,586,460,150	11,956,613,650
Net surplus for the year	-	-	-	1,909,987,522	1,909,987,522
Transfer to/(from) reserves	(51,489,463)	18,363,175	27,591,174	5,535,114	-
	58,163,644	150,012,090	156,442,652	13,501,982,786	13,866,601,172

Ring-fenced internal funds and reserves within accumulated surplus - Group - 2012

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Other	Total
Opening balance	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487	102,645,896	128,851,478	1,915,999,140	9,637,347,527
Prior year adjustments - prior 2011/12	-	-	-	-	-	-	-	293,418,036	293,418,036
Prior year adjustments - 2011/12	-	-	-	-	-	-	-	51,652,347	51,652,347
Net surplus for the year	-	-	-	-	-	-	-	1,974,195,740	1,974,195,740
Transfer reserves to accumulated surplus	(210,179,636)	(1,578,325,738)	(5,240,670,219)	(325,083,933)	-	-	-	7,354,259,526	-
Transfer to/(from) reserves	-	-	-	-	(25,938,380)	29,003,019	-	(3,064,639)	-
	-	-	-	-	109,653,107	131,648,915	128,851,478	11,586,460,150	11,956,613,650

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

Figures in Rand

43. Accumulated surplus (continued)

Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2013

				Insurance reserve	COID reserve	Housing development fund	Accumulated surplus	Total
Opening balance				109,653,107	131,648,915	128,851,478	11,556,484,980	11,926,638,480
Net surplus for the year				-	-	-	1,887,398,869	1,887,398,869
Transfer to/(from reserves)				(51,489,463)	18,363,175	27,591,174	5,535,114	-
				58,163,644	150,012,090	156,442,652	13,449,418,963	13,814,037,349

Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2012

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	COID reserve	Housing development fund	Accumulated surplus	Total
Opening balance	210,179,636	1,578,325,738	5,240,670,219	325,083,933	135,591,487	102,645,896	128,851,478	1,877,165,568	9,598,513,955
Prior year adjustments prior 2011/12	-	-	-	-	-	-	-	295,545,121	295,545,121
Prior year adjustments 2011/12	-	-	-	-	-	-	-	51,576,374	51,576,374
Net surplus for the year	-	-	-	-	-	-	-	1,981,003,030	1,981,003,030
Transfer reserve to accumulated surplus	(210,179,636)	(1,578,325,738)	(5,240,670,219)	(325,083,933)	-	-	-	7,354,259,526	-
Transfer to/(from) reserves	-	-	-	-	(25,938,380)	29,003,019	-	(3,064,639)	-
	-	-	-	-	109,653,107	131,648,915	128,851,478	11,556,484,980	11,926,638,480

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

44. Employee benefit obligations

Pension funds

Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.

Defined contribution plan (as classified by the relevant fund):

The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee related costs, Note 29).

Defined contribution plans: Sandspruit Works Association

Sandspruit Works Association has a defined contribution plan registered with Alexander Forbes Retirement Fund (Registration nr 12/8/34766). Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Tshwane Municipal Provident

Fund/Tshwane Municipal Gratuity Fund

5 291 (29.9 %) of the Municipality's employees are members of this fund.

Pension Fund for Municipal Councillors:

The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 67 (0.38 %) of the Municipality's employees are members of this fund.

National Fund for Municipal Workers.

5 855 (33.09 %) of the Municipality's employees are members of this fund.

SALA Provident Fund/Gratuity Fund:

66 (0.37 %) of the Municipality's employees are members of this fund.

SAMWU National Pension Fund.

16 (0.09 %) of the Municipality's employees are members of this fund.

SAMWU National Provident Fund.

1 271 (7.18 %) of the Municipality's employees are members of this fund.

Germiston Municipal Retirement Fund

5 (0.03 %) of the Municipality's employees are a member of this fund.

Meshawu National Local Authorities

Retirement Fund

44 (0.25 %) of the Municipality's employees are members of this fund.

Alexander Forbes Retirement Fund

Sandspruit Works Association: defined contribution plan registered with Alexander Forbes Retirement Fund

608,869,932	452,727,880	604,205,507	448,279,726
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Defined contribution plan (as classified by the relevant funds):

Tshwane Municipal Pension Fund

The Consulting Actuaries reported that the Fund was in an unsound financial position with a funding level of 95% as at 31 December 2009. 297 (1.66%) of the Municipality's employees are members of this fund.

Included in general expenses are:

Current service cost	25,479,640	25,564,438	25,479,640	25,564,438
Interest cost	57,987,791	62,559,247	57,987,791	62,559,247
Expected return on assets	(58,540,811)	(59,988,825)	(58,540,811)	(59,988,825)
Recognised Net (Gain)/Loss	(113,974,613)	(34,188,261)	(113,974,613)	(34,188,261)
Defined benefit expense	(89,047,993)	(6,053,401)	(89,047,993)	(6,053,401)

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
44. Employee benefit obligations (continued)				
Present value of the obligation	(698,138,452)	(726,140,957)	(698,138,452)	(726,140,957)
Fair value of plan assets	694,097,951	616,219,065	694,097,951	616,219,065
Take-on of disestablished municipalities	-	(28,650,680)	-	(28,650,680)
Liability recognised in statement of financial position	(4,040,501)	(138,572,572)	(4,040,501)	(138,572,572)
Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	726,140,957	721,072,962	726,140,957	721,072,962
Interest cost	57,987,791	62,559,247	57,987,791	62,559,247
Current service cost	25,479,640	25,564,438	25,479,640	25,564,438
Member contributions	6,444,434	6,781,774	6,444,434	6,781,774
Risk premiums	(2,072,986)	(2,181,498)	(2,072,986)	(2,181,498)
Actuarial (gain)/loss on obligation	(115,841,385)	(87,655,966)	(115,841,385)	(87,655,966)
Present value of obligation at end of year	698,138,451	726,140,957	698,138,451	726,140,957
Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)				
Fair value of plan assets at beginning of year	616,219,065	588,125,731	616,219,065	588,125,731
Expected return on plan assets	58,540,811	59,988,825	58,540,811	59,988,825
Contributions	23,277,832	23,753,713	23,277,832	23,753,713
Risk premiums	(2,072,986)	(2,181,498)	(2,072,986)	(2,181,498)
Actuarial (gain)/loss on obligation	(1,866,771)	(53,467,706)	(1,866,771)	(53,467,706)
Fair value of plan assets at end of year	694,097,951	616,219,065	694,097,951	616,219,065
Composition of plan assets:				
Cash	14.39 %	10.50 %	14.39 %	10.50 %
Equity	41.66 %	58.50 %	41.66 %	58.50 %
Bonds	12.89 %	16.70 %	12.89 %	16.70 %
Property	3.35 %	1.20 %	3.35 %	1.20 %
Other	1.52 %	1.00 %	1.52 %	1.00 %
International	26.19 %	12.10 %	26.19 %	12.10 %
Total	100.00 %	100.00 %	100.00 %	100.00 %
Actual return on plan assets	56,674,040	6,521,026	56,674,040	6,521,026
Estimated contributions to be paid to the Tshwane Pension fund in the next financial period	23,204,687	23,843,713	23,204,687	23,843,713

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
44. Employee benefit obligations (continued)				
Municipal gratuity fund				
Actuarial valuations are carried out every 2 years. 1 683 (9.51%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund. The interim actuarial valuation done at 30 June 2010 indicated that the fund was financially sound as at 30 June 2010.				
Included in general expenses are:				
Current service cost	3,983,980	4,446,790	3,983,980	4,446,790
Interest cost	5,725,560	7,815,575	5,725,560	7,815,575
Expected return on assets	(8,980,401)	(7,890,260)	(8,980,401)	(7,890,260)
Recognised Net (Gain)/Loss	(14,178,254)	(4,865,624)	(14,178,254)	(4,865,624)
Defined benefit expense	(13,449,115)	(493,519)	(13,449,115)	(493,519)
Post-employment benefit liability (funded status)				
Present value of the obligation	(89,728,546)	(90,222,065)	(89,728,546)	(90,222,065)
Net (expense)/income recognised in Statement of financial performance	13,449,116	493,519	13,449,116	493,519
Liability recognised in statement of financial position	(76,279,430)	(89,728,546)	(76,279,430)	(89,728,546)
Reconciliation of defined benefit obligation:				
Present value of obligation at beginning of year	89,728,547	90,222,066	89,728,547	90,222,066
Interest cost	5,725,560	7,815,575	5,725,560	7,815,575
Current service cost	3,983,980	4,446,790	3,983,980	4,446,790
Benefits paid	(8,980,401)	(7,890,260)	(8,980,401)	(7,890,260)
Actuarial (gain)/loss on obligation	(14,178,254)	(4,865,624)	(14,178,254)	(4,865,624)
Present value of obligation at end of year	76,279,432	89,728,547	76,279,432	89,728,547
Estimated benefit payments to be paid into Gratuities in the next financial period	6,125,654	8,980,401	6,125,654	8,980,401
Multi-employer funds				
The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 29)				

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
44. Employee benefit obligations (continued)				
SALA Pension Fund. The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81.9 % funding level). The Municipality's employees make up approximately 5.4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 104 128. 751 (4.24 %) of the Municipality's employees are members of this fund.	35,550,276	34,598,206	35,550,276	34,598,206
The Government Employees Pension Fund. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 19 (0.11%) of the Municipality's employees are members of this fund.	752,856	635,161	752,856	635,161
Joint Municipal Pension Fund. Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104.9% and the fund was in a sound financial position at the valuation date. 46 (0.26 %) of the Municipality's employees are members of this fund.	3,769,868	3,770,511	3,769,868	3,770,511
Municipal Employees Pension Fund. The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 2 283 (12.90 %) of the Municipality's employees are members of this fund.	91,594,634	81,586,745	91,594,634	81,586,745
Magalies Water Pension Fund. Magalies Water Pension Fund is part of the transfer of functions during 2012/13.	2,145,017	-	2,145,017	-
	133,812,651	120,590,623	133,812,651	120,590,623

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
44. Employee benefit obligations (continued)				
Medical aid funds				
Included in general expenses are:				
Current service cost	15,150,423	11,754,554	15,150,423	11,754,554
Interest cost	74,335,188	73,991,057	74,335,188	73,991,057
Expected Employer Benefit Payments	(38,676,240)	(37,485,048)	(38,676,240)	(37,485,048)
Recognised Net (Gain)/Loss	83,009,583	80,241,199	83,009,583	80,241,199
Rounding correction	284	436	284	436
Defined benefit expense	133,819,238	128,502,198	133,819,238	128,502,198
Post-employment benefit liability (funded status)				
Present value of the unfunded obligation	(996,355,762)	(867,854,000)	(996,355,762)	(867,854,000)
Recognised actuarial gains	(133,819,238)	(128,502,198)	(133,819,238)	(128,502,198)
Rounding correction	-	436	-	436
Liability recognised in statement of financial position	(1,130,175,000)	(996,355,762)	(1,130,175,000)	(996,355,762)
Reconciliation of defined benefit obligation:				
Present value of unfunded obligation at beginning of year	996,355,762	867,854,000	996,355,762	867,854,000
Interest cost	74,335,188	73,991,057	74,335,188	73,991,057
Current service cost	15,150,423	11,754,554	15,150,423	11,754,554
Employer contributions	(38,676,240)	(37,485,048)	(38,676,240)	(37,485,048)
Actuarial Gains/Losses	83,009,583	80,241,199	83,009,583	80,241,199
Rounding corrections	284	-	284	-
Present value of obligation at end of year	1,130,175,000	996,355,762	1,130,175,000	996,355,762
Actuarial (gains)/losses recognised in other comprehensive income:				
Tshwane Pension Fund	(113,974,613)	(34,188,261)	(113,974,613)	(34,188,261)
Gratuities	(14,178,254)	(4,865,624)	(14,178,254)	(4,865,624)
Medical aid funds	83,009,583	80,241,199	83,009,583	80,241,199
Total amount of actuarial (gains)/losses recognised	(45,143,284)	41,187,314	(45,143,284)	41,187,314
Estimated employer benefit payments to be paid into Medical aid funds in the next financial period	43,713,480	38,676,240	43,713,480	38,676,240
Sensitivity Results				
The effect of an increase or decrease of one percentage point in the assumed health cost inflation is the following:				
Subsidy Increase rate:				
Accrued liability 30 June	1,130,175,000	996,356,198	1,130,175,000	996,356,198
Decrease of 1 %	1,006,027,000	856,523,000	1,006,027,000	856,523,000
% change	(11.0)%	(14.0)%	(11.0)%	(14.0)%
Increase of 1 %	1,274,975,000	1,170,397,000	1,274,975,000	1,170,397,000
% change	13.0 %	17.0 %	13.0 %	17.0 %

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
44. Employee benefit obligations (continued)				
Long service awards				
Included in general expenses are:				
Current service cost	27,315,630	42,284,040	27,315,630	42,284,040
Interest cost	17,939,365	25,800,630	17,939,365	25,800,630
Expected Employer Benefit Payments	(28,041,819)	(32,112,586)	(28,041,819)	(32,112,586)
Recognised Net (Gain)/Loss	164,122,449	(80,890,568)	164,122,449	(80,890,568)
Defined benefit expense	181,335,625	(44,918,484)	181,335,625	(44,918,484)
Post-employment benefit liability (funded status)				
Present value of the unfunded obligation	(363,277,119)	(408,195,603)	(363,277,119)	(408,195,603)
Recognised actuarial gains	(181,335,625)	44,918,484	(181,335,625)	44,918,484
Liability recognised in statement of financial position	(544,612,744)	(363,277,119)	(544,612,744)	(363,277,119)
Reconciliation of defined benefit obligation:				
Present value of unfunded obligation at beginning of year	363,277,119	408,195,603	363,277,119	408,195,603
Interest cost	17,939,365	25,800,630	17,939,365	25,800,630
Current service cost	27,315,630	42,284,040	27,315,630	42,284,040
Employer contributions	(28,041,819)	(32,112,586)	(28,041,819)	(32,112,586)
Actuarial gains/losses	164,122,449	(80,890,568)	164,122,449	(80,890,568)
Present value of obligation at end of year	544,612,744	363,277,119	544,612,744	363,277,119
Actuarial (gains)/losses recognised in other comprehensive income:				
Long service awards	164,122,449	(80,890,568)	164,122,449	(80,890,568)
Estimated employer benefit payments to be paid into Long service awards in the next financial period	40,542,857	28,041,819	40,542,857	28,041,819
Sensitivity Results				
The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate:				
Salary Increase rate:				
Accrued liability 30 June	544,612,745	363,277,119	544,612,745	363,277,119
Decrease of 1 %	501,658,644	337,864,000	501,658,644	337,864,000
% change	(7.9)%	(7.0)%	(7.9)%	(7.0)%
Increase of 1 %	592,426,144	391,721,000	592,426,144	391,721,000
% change	8.8 %	8.0 %	8.8 %	8.0 %
Post-employment benefit liability: Statement of financial position				
Pension Fund	(4,040,500)	(138,014,790)	(4,040,500)	(138,014,790)
Municipal gratuity fund	(76,279,430)	(89,728,546)	(76,279,430)	(89,728,546)
Medical aid funds	(1,130,175,000)	(996,356,198)	(1,130,175,000)	(996,356,198)
Long service awards	(544,612,745)	(363,277,119)	(544,612,745)	(363,277,119)
	(1,755,107,675)	(1,587,376,653)	(1,755,107,675)	(1,587,376,653)

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

44. Employee benefit obligations (continued)

Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description on each is given below:

Economic assumptions (pension fund and gratuities):

Discount rate	8.37 %	7.99 %	8.37 %	7.99 %
Inflation rate	5.28 %	5.03 %	5.28 %	5.03 %
Salary Increase rate	628.00 %	6.03 %	6.28 %	6.03 %
Expected rate of return on assets	8.37 %	9.50 %	8.37 %	9.50 %
Pension increase allowance	3.58 %	3.75 %	3.58 %	3.75 %
Health Care Cost Inflation	7.43 %	6.78 %	7.43 %	6.78 %

Discount rate (pension fund and gratuities):

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability obligations are to be settled. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 8.37% per annum has been used.

Inflation rate (pension fund and gratuities):

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 5.28 % per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. This assumption is in line with the SA Government's Monetary Policy target of 3 % to 6 % per annum.

Salary increase:

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1 % (pension funds) and 1 % (gratuities).

Expected return on assets:

The Fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions we made use of a long term asset split as at 30 June 2012. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 8.37% per annum. The expected long-term rate of return on equities was set at a level of 3 % above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2 % below the bond rate. Return on overseas equity was assumed at 1% above the bond rate. Adjustments were made to reflect the effect of expenses.

Pension rate increase:

We have made use of a post-retirement discount rate of 3.58% per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 3.58 % per annum.

Health Care Cost Inflation:

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 7.43 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 1.75 % per annum over the long-term.

45. Events after the reporting date

No material events occurred with respect to the 2012/13 financial year end after date of the statement of financial position in respect of loans and investments.

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

46. Related parties

The following municipal entities were under the control of the erstwhile/diseestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.

Related party balances

Loan accounts - Owing by related parties	2013	2012
TEDA	588,482	44,665
Amounts included in trade receivables and loans regarding related parties		
Sandspruit Works Association	34,298,530	34,298,530
Amounts included in trade payables regarding related parties		
Sandspruit Works Association	14,651,288	8,534,659
Related party transactions		
Sales to related parties		
Housing Company Tshwane	344,873	314,836
Sandspruit Works Association	112,862,788	91,993,276
Sandspruit Works Association	2,591,529	2,575,111
Purchases from related parties		
Sandspruit Works Association	94,003,235	84,139,081
Expenses paid on behalf of related parties		
Housing Company Tshwane	29,431	7,085
TEDA	543,817	44,665
Grants to related parties		
Housing Company Tshwane	14,697,948	13,727,275
Sandspruit Works Association: DWA Subsidy	2,227,000	4,185,000
Sandspruit Works Association: CoT subsidy	132,147,287	98,379,175
Tshwane Economic Development Agency (TEDA)	25,000,000	-
Disestablishment of municipal entities:		
Metswedding Economic Development Agency (MEDA)	244,393	480,474

MEDA was part of the former Metswedding District Municipality and it was resolved by Council on 25 August 2011 to disestablish the municipal entity. During the 2011/12 financial year all assets and liabilities of MEDA were taken over by the City of Tshwane and creditors outstanding were paid by the City of Tshwane. The amount of R244 393 (2012 = R480 474 relates to the net balance (accumulated surplus) between assets and liabilities on 1 July 2011 and 30 June 2013 respectively. The final close down financial statements are still to be compiled and finalised.

47. Prior period restatements

Change in accounting policy

None.

Reclassification

Heritage assets were reclassified with an amount of R26 045 275 due to the implementation of GRAP 103 disclosing it now as a separate line item on the face of the statement of financial position.

For the group deferred operating lease liability was reclassified from trade payables to a separate line item to the value of R2 777 684 (current portion) and R5 069 533 (non-current portion).

Housing Company Tshwane reclassified an amount of R7 963 for interest on overdue accounts, fines and penalties from finance cost to operating expenses.

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

47. Prior period restatements (continued)

Sandspruit Works Association:-

An amount of R4 185 000 which related to a grant and an amount of R98 379 175 relating to operational losses subsidy received from the City of Tshwane Metropolitan Municipality was reclassified from other income to revenue from exchange transactions.

Correction of errors

Revenue:

Restatements due to subsequent corrections on assessment rates amounted to R33 537 480. Service charges were restated due to double billing correction and incorrect cut-off on landfill revenue which amounted to R48 996 130.

Government grants were restated due to alignment of Emergency Management Service (EMS) subsidy to national year (DoRA) to the value of R12 418 500 and a refund to National Treasury on the INEP grant to the value of R1 138 726.

Other income were restated as a result of newly identified assets (R7 364 803), AARTO fines (R36 301 457) as a result of changes in debtor and creditor, VAT corrections (R2 092 322), recognition of revenue on NDPW funding for inner city beautification (R19 233 472) and interest on land sales (R1 258 606).

Public contributions and donations were restated due to changes in the accrual done at year end relating to bulk service contributions for rezoning for services rendered and not paid (R24 703 828).

Gain: Disestablishment of municipal entity was corrected due to the write back of the unspent grants which could not be identified during the merger (R47 076 689).

Rental of facilities: Housing rentals and rentals for shelters were incorrectly accounted for (R205 094).

Expense:

Finance cost: Restatement due to calculation corrections in interest of rehabilitation provisions (R1 057 793).

Depreciation and amortisation were restated to the value of R3 267 654 as a result of a calculation error with respect to rehabilitation assets and leased assets during 2011/12 as well as the first time take-on of meters on the asset register.

Bulk purchases (R4 060 123), repairs and maintenance (R5 322 344) were restated as a result of correction of year end accruals being understated during 2011/12.

Loss on disposal of assets was restated as a result of scrapping of assets and disposal of assets (R18 257 316).

General expenses were restated to the value of R1 940 874 as a result of reclassification of capital expenditure to operation expenditure (R74 389 296) due to incorrect accrued expenditure in 2011/12 and R1 364 526 due to VAT corrections.

Debt impairment was restated with R59 407 803 resulting from incorrect VAT treatment on impairment of debtors.

General expenses of municipal entities were restated due to a split out of general expenses from miscellaneous to separate line items in the general expenses note.

TEDA restated expenditure to the amount of R75 972 with regard to board fees which were not included in 2011/12.

Statement of Financial Position:

Inventories were restated to the value of R59 059 due to stock differences picked up during the current financial year.

Other debtors were restated to the value of R107 183 067 as a result of corrections to rental of facilities (R3 283 555), public contributions and donations debtors (R42 242 690), AARTO debtor (R18 260 378), EMS subsidy debtor (R12 418 500), health subsidy (R8 956 000) and MIG debtor (R21 915 045).

Consumer debtors were restated to the value of R33 849 510 as a result of adjustments to property rates and cut-off errors at year end.

Cash and cash equivalents were restated with an amount of R295 334 which was incorrectly handled in the bank account.

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	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

47. Prior period restatements (continued)

Payables from exchange transactions were restated due to incorrect creditor accruals processed during 2011/12. TEDA restated creditors to the value of R75 972 due to board fees which were not accrued.

Investment property was restated with an amount of R419 239 088 due to purification of the fixed asset register and the capitalisation of newly identified properties.

The restatement of property, plant and equipment to the value of R258 225 006 mainly consist of:

- * Correction of meters duplicated on register retired decreased with R32 561 154
- * Correction on assets under construction (AUC) due to creditor accruals decreased with R3 993 519)
- * Correction of first time take on of assets acquired out of operating budget increased with R1 320 378
- * Correction of prior year first time take on of library materials increased with R6 801 914
- * Correction of prior year first time take on of meters increased with R5 195 858
- * Correction of rehabilitation asset increased with R46 729 977 - Landfills increased with R48 778 002 and quarries decreased with R2 029 629

Intangible assets were increased with an amount of R148 308 355 due to capitalisation of newly identified servitudes. Also an amount of R776 697 was restated due to incorrect depreciation written back. The net effect of restatements on intangible assets equals R149 085 052.

Other assets - restatement consist of the following:-

- * the correction of other assets accounted for in the incorrect financial year amounted to R6 861 708
- * correction of other assets retired du to the asset register purification to the amount of R18 999 995
- * correction of depreciation on busses calculated incorrectly over the period of the lease in stead of the useful life of the asset in the amount of R2 190 514
- * correction reversal of depreciation and first time accounting for newly identified assets amounting to R311 697
- * correction of land and buildings due to asset register purification amounting to R248 666 244.

Leased assets were restated due to change in lease term of busses for 2012 which amounted to R98 117 468.

Leased liabilities were restated due to change in lease term of busses for 2012 which amounted to R214 585.

Rehabilitation provisions were restated to the amount of R10 928 107 due to a change in the foot print area.

Unspent grants and receipts were restated with an amount of R375 411 as a result of the alignment of EMS subsidy and repayment of INEP grant to National Treasury.

Deferred operating lease liability was restated with an amount of R1 237 612 as a result of incorrect calculations done in the prior year.

VAT payable was restated with an amount of R23 310 019 due to incorrect treatment of VAT on debtors accruals and debt impairment.

Long-term receivables were restated due to incorrect interest calculations done on land sale debtors to the value of R1 379 599.

Correction on disclosure notes:

Note 45 - Related party transactions -

Sales to Sandspur Works Association (R94 568 387) were restated with an amount of R2 575 111 as it was disclosed separately as well as included in the sales figure; and expenses paid on behalf of TEDA were restated with an amount of R44 665 as it was not known to be a loan account in 2011/12.

Presented below are the prior period restatements contained in the surplus for the year, the statement of financial position and cash flow statement.

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	2013	2012	2013	2012
	R	Restated R	R	Restated R

47. Prior period restatements (continued)

Group	As previously reported	Reclassifi-cation	Correction of errors	Restated
2012				
Restated				
Statement of Financial Performance				
Revenue:				
Property rates	3,391,194,716	-	(33,537,480)	3,357,657,236
Service charges	10,679,046,818	-	(35,674,764)	10,643,372,054
Rental of facilities and equipment	100,221,337	-	(205,094)	100,016,243
Interest received outstanding consumer debtors	265,720,882	-	-	265,720,882
Public contributions and donations	142,084,742	-	(24,703,828)	117,380,914
Fines	4,540,725	-	15,150	4,555,875
Licences and permits	52,425,804	-	216	52,426,020
Government grants, subsidies, awards and donations	3,561,339,848	(353,135)	(13,557,227)	3,547,429,486
Other income	596,944,196	353,135	32,310,609	629,607,940
Interest received - external investments	52,933,829	-	-	52,933,829
Total Revenue	18,846,452,897	-	(75,352,418)	18,771,100,479
Expenditure:				
Remuneration	4,815,285,269	-	-	4,815,285,269
Remuneration of Councillors	91,436,294	-	17,076	91,453,370
Depreciation and amortisation	1,035,072,395	-	(1,833,872)	1,033,238,523
Impairment loss/reversal of impairments	29,807,842	-	-	29,807,842
Finance cost	633,924,801	-	(709,449)	633,215,352
Debt impairment	963,358,574	-	(59,408,804)	903,949,770
Collection costs	94,983,032	-	43,918	95,026,950
Repairs and maintenance	1,202,573,115	-	(4,120,043)	1,198,453,072
Bulk purchases	6,168,000,853	-	4,119,486	6,172,120,339
Grants and subsidies paid	21,495,798	-	-	21,495,798
General expenses	2,683,595,673	-	67,011,661	2,750,607,334
Total expenditure	17,739,533,646	-	5,119,973	17,744,653,619
Gain (loss) on disposal of assets and liabilities	(64,262,776)	-	(18,259,963)	(82,522,739)
Fair value adjustments	(264,454)	-	-	(264,454)
Gain (loss) on foreign exchange	(2,632,952)	-	2,647	(2,630,305)
Gain (loss) on transfer of functions	986,089,021	-	47,077,357	1,033,166,378
Surplus for the year	2,025,848,090	-	(51,652,350)	1,974,195,740

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

Group	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
47. Prior period restatements (continued)				
Group		As previously reported	Reclassification	Correction of errors
2012				
Restated				
Statement of Financial Position				
Current assets				
Inventory	417,521,069	-	(59,059)	417,462,010
Current portion of long-term receivables	108,802,610	-	-	108,802,610
Other debtors	767,444,290	-	(109,234,177)	658,210,113
Consumer debtors	2,767,820,966	263,269	(33,849,510)	2,734,234,725
Call investment deposits	323,851,507	-	-	323,851,507
Cash and cash equivalents	643,631,587	-	295,334	643,926,921
Non-current assets				
Investment property	582,934,966	-	419,239,088	1,002,174,054
Property, plant and equipment	19,389,115,485	(26,058,896)	(257,913,844)	19,105,142,745
Leased assets	294,663,015	-	98,117,468	392,780,483
Intangible assets	300,980,778	-	149,085,052	450,065,830
Heritage assets	-	26,058,896	536	26,059,432
Investments	87,621,941	-	668	87,622,609
Long-term receivables	95,595,894	-	(1,379,599)	94,216,295
Non-current assets held for sale	1,306,886	-	(962,296)	344,590
Current liabilities				
Long-term liabilities	346,018,276	-	-	346,018,276
Lease liabilities	126,026,714	-	1,435,380	127,462,094
Payables from exchange transactions	4,582,367,814	(7,347,171)	(42,862,193)	4,532,158,450
Deferred operating lease liability	-	2,777,684	-	2,777,684
VAT payable	255,560,668	-	23,314,324	278,874,992
Consumer deposits	406,953,225	-	-	406,953,225
Unspent grants and receipts	319,288,289	(763,315)	1,138,726	319,663,700
Provisions	1,610,788	-	-	1,610,788
Non-current liabilities				
Long-term liabilities	6,088,869,590	-	-	6,088,869,590
Lease liabilities	177,225,098	-	(1,649,965)	175,575,133
Operating lease liability	-	5,069,533	-	5,069,533
Retirement benefit obligation	1,587,376,653	-	-	1,587,376,653
Provisions	226,798,265	-	(10,928,107)	215,870,158
Equity				
Accumulated surplus	11,663,195,614	-	293,418,036	11,956,613,650

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

Group	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
47. Prior period restatements (continued)				
Group	As previously reported	Reclassification	Correction of errors	Restated
2012				
Restated				
Cash flow statement				
Cash generated from operations				
Cash receipts from ratepayers government & other	18,481,594,470	(3,547,429,486)	121,455,094	15,055,620,078
Interest income	52,933,829	-	-	52,933,829
Grants	-	3,547,429,486	-	3,547,429,486
Cash paid to suppliers and employees	(13,864,607,529)	21,495,798	(116,567,803)	(13,959,679,534)
Transfers and grants	-	(21,495,798)	-	(21,495,798)
Finance costs (interest paid)	(633,924,801)	-	709,449	(633,215,352)
Net cash generated from operations	4,035,995,969	-	5,596,740	4,041,592,709
Cash flow from investing activities				
Purchase of property, plant & equipment	(4,266,615,521)	214,400	18,813,803	(4,247,587,318)
Purchase of leased assets	(110,199,975)	-	(4,827,012)	(115,026,987)
Proceeds from sale of property, plant & equipment	(64,262,776)	-	(18,259,963)	(82,522,739)
Purchase of investment property	(175,023,299)	-	(3,174,923)	(178,198,222)
Purchase of intangible assets	(132,229,283)	-	1,093,926	(131,135,357)
Purchase of heritage assets	-	(214,400)	-	(214,400)
Proceeds from sale of financial assets	53,598,880	-	1,315,184	54,914,064
Net cash from investing activities	(4,694,731,974)	-	(5,038,985)	(4,699,770,959)
Cash flow from financing activities				
Proceeds from long-term liabilities	1,022,303,530	-	-	1,022,303,530
Repayment of long-term liabilities	(344,160,874)	-	-	(344,160,874)
Finance lease repayments	37,634,884	-	(262,424)	37,372,460
Net cash from financing activities	715,777,540	-	(262,424)	715,515,116
Net Cash Flow				
Net increase/(decrease) in cash and cash equivalents	57,041,535	-	295,331	57,336,866
Cash and cash equivalents at the beginning of the year	910,441,560	-	-	910,441,560
Cash flow at the end of the year	967,483,095	-	295,331	967,778,426
Municipality	As previously reported	Reclassification	Correction of errors	Restated
2012				
Restated				
Statement of Financial Performance				
Revenue:				
Property rates	3,391,312,310	-	(33,537,480)	3,357,774,830
Service charges	10,700,597,813	-	(48,996,130)	10,651,601,683
Rental of facilities and equipment	97,923,329	-	(205,094)	97,718,235
Interest received outstanding consumer debtors	244,643,012	-	-	244,643,012
Public contributions and donations	142,084,742	-	(24,703,828)	117,380,914
Fines	4,540,725	-	15,150	4,555,875
Licences and permits	52,425,804	-	216	52,426,020
Government grants and subsidies	3,561,339,848	(353,135)	(13,557,226)	3,547,429,487
Other income	562,144,367	353,135	65,271,551	627,769,053
Interest received - external investments	52,185,100	-	-	52,185,100
Total Revenue	18,809,197,050	-	(55,712,841)	18,753,484,209

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

47. Prior period restatements (continued)

Municipality	As previously reported	Reclassification	Correction of errors	Restated
2012				
Restated Expenditure:				
Remuneration	4,739,894,487	-	-	4,739,894,487
Remuneration of Councillors	91,436,294	-	17,076	91,453,370
Depreciation and amortisation	1,032,327,388	-	(1,833,872)	1,030,493,516
Impairment loss/reversal of impairments	29,807,842	-	-	29,807,842
Finance cost	633,408,584	-	(1,057,793)	632,350,791
Debt impairment	880,622,872	-	(59,407,804)	821,215,068
Collection costs	94,983,032	-	43,918	95,026,950
Repairs and maintenance	1,190,594,684	-	5,322,344	1,195,917,028
Bulk purchases	6,254,715,045	-	4,060,123	6,258,775,168
Grants and subsidies paid	21,495,798	-	-	21,495,798
General expenses	2,726,260,455	-	77,539,585	2,803,800,040
Total expenditure	17,695,546,481	-	24,683,577	17,720,230,058
Gain/(loss) on disposal of assets and liabilities	(64,262,776)	-	(18,259,963)	(82,522,739)
Fair value adjustments	(264,454)	-	-	(264,454)
Gain/(loss) on foreign exchange	(2,632,952)	-	2,647	(2,630,305)
Gain/(loss) on transfer of functions	986,089,021	-	47,077,357	1,033,166,378
Surplus for the year	2,032,579,408	-	(51,576,377)	1,981,003,031

Statement of Financial Position

Current assets

Inventory	415,004,297	-	(59,059)	414,945,238
Current portion of long-term receivables	108,802,610	-	-	108,802,610
Other debtors	728,684,788	-	(107,183,067)	621,501,721
Consumer debtors	2,782,195,667	263,269	(33,849,510)	2,748,609,426
Call investment deposits	323,851,507	-	-	323,851,507
Cash and cash equivalents	603,807,191	-	295,334	604,102,525

Non-current assets

Investment property	567,064,129	-	419,239,088	986,303,217
Property, plant and equipment	19,377,542,834	(26,058,896)	(257,913,844)	19,093,570,094
Leased assets	294,663,015	-	98,117,468	392,780,483
Intangible assets	300,980,778	-	149,085,052	450,065,830
Heritage assets	-	26,058,896	536	26,059,432
Investments	87,621,941	-	668	87,622,609
Long-term receivables	95,595,894	-	(1,379,599)	94,216,295
Non-current assets held for sale	1,306,886	-	(962,296)	344,590

Current liabilities

Trade and other payables from exchange transactions	4,527,310,610	(8,176,357)	(41,196,212)	4,477,938,041
Deferred operating lease liability	-	2,501,856	-	2,501,856
Long-term liabilities	345,702,878	-	-	345,702,878
Lease liabilities	126,026,714	-	1,435,380	127,462,094
VAT payable	258,534,728	-	23,310,019	281,844,747
Unspent grants and receipts	317,435,272	(763,315)	(387,904)	316,284,053
Consumer deposits	403,868,672	-	-	403,868,672

Non-current liabilities

Long-term liabilities	6,085,749,294	-	-	6,085,749,294
Lease liabilities	177,225,098	-	(1,649,965)	175,575,133
Deferred operating lease liability	-	6,174,547	(1,237,613)	4,936,934
Retirement benefit obligation	1,587,376,653	-	-	1,587,376,653
Provisions	226,798,265	-	(10,928,107)	215,870,158

Equity

Accumulated surplus	11,631,093,361	-	295,545,117	11,926,638,478
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City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
47. Prior period restatements (continued)				
Municipality	As previously reported	Reclassification	Correction of errors	Restated
2012				
Restated				
Cash flow statement				
Cash generated from operations				
Cash receipts from ratepayers government & other	18,613,119,177	(3,547,429,486)	149,404,277	15,215,093,968
Grants received	-	3,547,429,486	-	3,547,429,486
Cash paid to suppliers and employees	(13,986,073,413)	21,495,798	(144,865,330)	(14,109,442,945)
Transfers and grants paid	-	(21,495,798)	-	(21,495,798)
Finance costs (interest paid)	(633,408,584)	-	1,057,793	(632,350,791)
Interest Income	52,185,100	-	-	52,185,100
Net cash generated from operations	4,045,822,280	-	5,596,740	4,051,419,020
Cash flow from investing activities				
Purchase of property, plant & equipment	(4,266,093,203)	214,400	18,813,806	(4,247,064,997)
Purchase of leased assets	(110,199,975)	-	(4,827,012)	(115,026,987)
Proceeds from sale of property, plant & equipment	(64,262,776)	-	(18,259,963)	(82,522,739)
Purchase of investment property	(174,943,476)	-	(3,174,923)	(178,118,399)
Purchase of heritage assets	-	(214,400)	-	(214,400)
Purchase of intangible assets	(132,229,283)	-	1,093,926	(131,135,357)
Proceeds from sale of financial assets	53,598,880	-	1,315,184	54,914,064
Net cash from investing activities	(4,694,129,833)	-	(5,038,982)	(4,699,168,815)
Cash flow from financing activities				
Proceeds from long-term liabilities	1,022,303,530	-	-	1,022,303,530
Repayment of long-term liabilities	(343,552,475)	-	-	(343,552,475)
Finance lease repayments	37,634,884	-	(262,424)	37,372,460
Net cash from financing activities	716,385,939	-	(262,424)	716,123,515
Net cash flow				
Net increase/(decrease) in cash and cash equivalents	68,078,386	-	295,334	68,373,720
Cash and cash equivalents at the beginning of the year	859,580,312	-	-	859,580,312
Cash and cash equivalents at the end of the year	927,658,698	-	295,334	927,954,032
48. Unauthorised expenditure				
Opening balance	488,022,276	56,990,535	488,022,276	56,990,535
Unauthorised expenditure in current year	598,394,771	488,022,276	598,394,771	488,022,276
Less: Approved/Condoned by Council in respect of previous financial year	(488,022,276)	(56,990,535)	(488,022,276)	(56,990,535)
Less: Approved/Condoned by Council in respect of 2012/13	(598,394,771)	-	(598,394,771)	-
	-	488,022,276	-	488,022,276

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

48. Unauthorised expenditure (continued)

2013:

Unauthorised expenditure during 2013 as a result of overspending of the budget amounted to R5597 394 771. These over expenditure amounts are not recoverable and a deviation report was approved by Council to condone the unauthorised expenditure in terms of section 28 and 29 of the MFMA on 29 August 2013.

The over expenditure can mainly be attributed to debt impairment, remuneration of councillors, depreciation and finance charges (to the total value of R508.9 million). However, according to over expenditure per vote the over expenditure occurred in the following departments: Regional Service Delivery, Information and Communication Technology Management, Financial Services, Emergency Services, City Strategies and Performance Management and Communications, Marketing and Events (to the value of R598.4 million).

2012:

Unauthorised expenditure during 2012 as a result of overspending of the budget amounted to R488 022 276. These over expenditure amounts are not recoverable and a deviation report will be submitted to Council for approval and or condonement in terms of section 28 and 29 of the MFMA.

The over expenditure can mainly be attributed to the electricity purchases from Eskom to the extent of R481.5 million, repairs and maintenance to the amount of R23.9 million, grants and subsidies paid to the amount of R7.2 million and councillor remuneration to the amount of R1.1 million. These over expenditures were counter acted by under expenditures on other line items.

2011:

Unauthorised expenditure as a result of overspending of the budget amounted to R56 990 535. These over expenditure amounts are not recoverable and a deviation report served before Council for approval and or condonement in terms of section 28 and 29 of the MFMA, on 25 August 2011.

The over expenditure can be attributed mainly to the electricity purchases from Eskom to the extent of R47.9 million, which is owing to volatility in demand due to seasonality and natural elements, that is beyond the control of the municipality.

49. Fruitless and wasteful expenditure

Opening balance	15,794,717	4,409,212	13,139,024	1,761,482
Add: Expenditure Erstwhile Kungwini Local Municipality	-	4,573,503	-	4,573,503
Add: Expenditure - Erstwhile Nokeng Local Municipality	-	450,000	-	450,000
Add: Expenditure in current year (from declarations)	6,678	8,252,063	6,678	8,252,063
Add: Expenditure - current year: Housing Company Tshwane	12,282	7,963	-	-
Add: Expenditure - current year: Sandspruit Works Association	860,042	-	-	-
Less: Approved by Council/Condoned/repayed/written off	(6,678)	(1,898,024)	(6,678)	(1,898,024)
	16,667,041	15,794,717	13,139,024	13,139,024

2008: Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200.

Disciplinary steps: Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary.

2008: Incident 2: Petty Cash - Late A Baduza to the amount of R756. Awaiting approval of report to Strategic Executive Director to write off this expenditure. Amount was written off.

2008: Incident 3: Unauthorised trip to Namibia by Dr M Kruger in the Office of the City Manager. Disciplinary steps: Awaiting authorisation. Authorisation given during 2008/09 (R57 414)

2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps: Investigation underway (R1 160 594)

2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from cost centre. Disciplinary steps: None taken - amount was transferred to Irregular expenditure during 2010/11.

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

49. Fruitless and wasteful expenditure (continued)

2010: Incident 1: Office of the Executive Mayor - official booked lunch for meeting without approval - SED condoned as there was no wilful misconduct.

2010: Incident 2: Office of the Executive Mayor - approval of incorrect art work on bill board - SED condoned as there was no wilful misconduct.

2010: Incident 3: Office of the Executive Mayor - appointment of service provider for distribution of newsletter not approved - SED condoned as there was no wilful misconduct.

2010: Civirelo: Penalties for late/non-payment of taxes (R501 878) as a result of deregistering of company. No disciplinary action or other actions were taken as the matter did not arise due to fault of an employee.

2010: Civirelo: Interest on late/non-payment of taxes (R335 608) as a result of deregistering of company. No disciplinary action or other actions were taken as the matter did not arise due to fault of an employee.

2011: Incident 1: Housing & Sustainable Development - Official opening event of Loftus Gardens Clinic - name plate was already made when date was changed. No action taken as there was no wilful misconduct.

2011: Sandspruit:Works Association: Interest paid to City of Tshwane (R33 313). All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by the City of Tshwane.

2011 and 2012: Housing Company Tshwane - Interest, penalties, legal fees and recovery fees was incurred as a result of non-payment of the entity's creditors when due to the amount of R7 963 and for 2011 = R80 820 (2010 = R89 329). Objection was lodged and the outcome is still pending.

2011: Civirelo: Interest on late/non-payment of taxes (R16 019) as a result of deregistering of company. No disciplinary action or other actions were taken as the matter did not arise due to fault of an employee

2011: Sandspruit:Works Association: Interest paid to Rand Water due to late payment of account to the value of R199 509 (2010 = R1 160 516) and penalties and interest for SARS to the amount of R142 801. All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken. The expense was included in operating losses which was funded by the City of Tshwane.

2012 Incident 1: Emergency Services - Establishment and launch of water pod system and BESAFE centres in identified areas - condoned by Council.

2012 Incident 2: City Planning - insurance claims repudiated - survey equipment, digital camera and laptop - to be recovered from employee and discussion to be held with other two employees.

2012: Housing - SARS penalties to be paid - in process to reconcile with SARS (R1 295)

2012: Public Works (Electricity) - payment of storage fees and repairs for vehicles on tenders CB65/2005 and CB22/2006 - investigation to be conducted.

2012: Fruitless and wasteful expenditure - erstwhile Kungwini Local Municipality as per the annual financial statements of 2010/11 - take on in terms of the transfer of functions.

2012: Fruitless and wasteful expenditure - erstwhile Nokeng Local Municipality as per the annual financial statements of 2010/11 - take on in terms of the transfer of functions.

2013: Housing Company Tshwane - Interest and penalties due to late payments to SARS. The entity's accounting officer finalised investigations and has concluded that this fruitless and wasteful expenditure was due to negligence. The full amount of R12 282 will be recovered from the responsible employees during 2013/14.

2013: Housing - SARS penalties and UIF - Resolved and settled with penalties that were levied (R6 678).

City of Tshwane Metropolitan Municipality

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R
49. Fruitless and wasteful expenditure (continued)				
2013: Sandspruit Works Association - The amounts below are considered excessive in relation to the value of the services received (value for money) and also due to the fact that certain services could have been performed internally. To date no disciplinary action has been taken. The matters are still under investigation:-				
* Development of Demand Management Policy (R197 600)				
* Distribution of Water Interruption pamphlets (R33 000)				
* Occupational Health and Safety awareness (R191 835)				
* Printing and distribution of water interruption pamphlets (R192 000)				
* Repairs to eastern reservoir (R48 728)				
* Website design and development of corporate identity (R196 879)				
50. Irregular expenditure				
Opening balance	260,324,141	46,906,295	255,338,374	46,072,743
Add: Irregular expenditure 2010/11 - Erstwhile Kungwini Local Municipality	-	139,470,071	-	139,470,071
Add: Sandspruit - non-compliance with SCM regulations	4,598,486	7,262,635	-	-
Add: TEDA - non-compliance with SCM regulations	1,188,088	-	-	-
Add: Irregular expenditure 2010/11 - Erstwhile Nokeng Local Municipality	-	595,684	-	595,684
Add: Expenditure iro awards deemed irregular in 2010/11- erstwhile Kungwini Local Municipality	-	7,073,250	-	7,073,250
Add: Irregular Expenditure(from declarations) - current year	912,797	3,415,229	912,797	3,415,229
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - Persons in service of City of Tshwane	2,568,080	8,577,860	2,568,080	8,577,860
Add: Irregular expenditure due to non-compliance with regulation 44 of MFMA - National and Provincial Departments	9,688,138	-	9,688,138	-
Add: Irregular expenditure during 2012/13 iro deviations relating to 2009/10	-	3,241,819	-	3,241,819
Add: Irregular expenditure during 2012/13 iro deviations relating to 2010/11	-	7,898,220	-	7,898,220
Add: Irregular expenditure iro deviations for 2011/12	-	37,662,225	-	37,662,225
Add: Irregular expenditure for 2012/13 due to non-compliance with MFMA SCM regulation 13	-	37,860,195	-	37,860,195
Add: Irregular expenditure iro section 32 of MFMA	15,679,124	6,960,277	15,679,124	6,960,277
Less: Approval/repayment during the current year iro declarations	-	(2,585,155)	-	(2,585,155)
Less: Non-compliance condoned relating to 2009/10	-	(3,241,819)	-	(3,241,819)
Less: Non-compliance condoned relating to 2011/12	-	(37,662,225)	-	(37,662,225)
Less: Sandspruit 2010/11 condonement	-	(159,980)	-	-
	294,958,854	263,274,581	284,186,513	255,338,374

City of Tshwane Metropolitan Municipality

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	Group		Municipality																														
	2013	2012	2013	2012																													
	R	Restated R	R	Restated R																													
50. Irregular expenditure (continued)																																	
Details of irregular expenditure – current year <table> <thead> <tr> <th></th> <th>Disciplinary steps taken/criminal proceedings</th> <th></th> </tr> </thead> <tbody> <tr> <td>Irregular expenditure due to non-compliance with section 44 of MFMA - National and Provincial Departments</td> <td>Non-compliance with MFMA - no condonement</td> <td>9,688,138</td> </tr> <tr> <td>Irregular expenditure due to non-compliance with section 44 of MFMA - Persons in employment of City of Tshwane</td> <td>Non-compliance with MFMA - no condonement</td> <td>2,568,080</td> </tr> <tr> <td>Non-compliance of section 45 - service providers family members of CoT employees</td> <td>Non-compliance with MFMA - no condonement</td> <td>-</td> </tr> <tr> <td>Irregular expenditure to section 32 of MFMA</td> <td>Implementation of City Manager Report recommendation</td> <td>15,679,124</td> </tr> <tr> <td>2013: Group IT & Communications Management - engaging service provider while contract has expired</td> <td>Investigations conducted and submitted report to Council</td> <td>862,186</td> </tr> <tr> <td>2013: Group IT & Communications Management - engaging service provider without contract</td> <td>Investigations conducted and submitted report to Council</td> <td>50,611</td> </tr> <tr> <td>2013: Sandspruit Works Association</td> <td>Non-compliance with SCM regulations</td> <td>4,598,486</td> </tr> <tr> <td>2013: TEDA</td> <td>Non-compliance with SCM regulations</td> <td>1,188,088</td> </tr> <tr> <td></td> <td></td> <td>34,634,713</td> </tr> </tbody> </table>					Disciplinary steps taken/criminal proceedings		Irregular expenditure due to non-compliance with section 44 of MFMA - National and Provincial Departments	Non-compliance with MFMA - no condonement	9,688,138	Irregular expenditure due to non-compliance with section 44 of MFMA - Persons in employment of City of Tshwane	Non-compliance with MFMA - no condonement	2,568,080	Non-compliance of section 45 - service providers family members of CoT employees	Non-compliance with MFMA - no condonement	-	Irregular expenditure to section 32 of MFMA	Implementation of City Manager Report recommendation	15,679,124	2013: Group IT & Communications Management - engaging service provider while contract has expired	Investigations conducted and submitted report to Council	862,186	2013: Group IT & Communications Management - engaging service provider without contract	Investigations conducted and submitted report to Council	50,611	2013: Sandspruit Works Association	Non-compliance with SCM regulations	4,598,486	2013: TEDA	Non-compliance with SCM regulations	1,188,088			34,634,713
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		34,634,713																															

The irregular expenditure which relates to the prior year deviations that were condoned in terms of the Supply Chain Management Policy by the Accounting Officer and were noted by Council initially amounted to R48 802 264 up to 2011/12. This irregular expenditure was then viewed as irregular subsequently to have not complied with section 36 of the Supply Chain Management Policy, which allows the Accounting Officer to dispense with the official procurement process established by policy to procure any required goods or services through any convenient process, but only:

- (i) in an emergency
- (ii) if such goods or services are produced or available from single provider only
- (iii) in any other exceptional case where it is impractical or impossible to follow the official procurement process.

The prerogative of approval and condonement of deviation is a permission granted to the accounting officer of the municipality and to be noted by Council, however this particular deviations were viewed as not having complied with regulation 36, namely not being emergency or impractical or impossible to follow official procurement process, in the prior year.

These prior year deviations were also contracts running for the future years, however were condoned and certified by Council as irrecoverable which is the core competency and function of the Council.

51. Regulation 45

As per section 45 of the MFMA SCM regulations, awards to close family members of persons in the service of the state the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state in the previous 12 months indicating:

- The name of that person
- The capacity in which that person is in the service of the state/municipality; and
- The amount of the award.

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	2013	2012	2013	2012
	R	Restated R	R	Restated R

51. Regulation 45 (continued)

Municipality

Employee	Family member and capacity	Value of awards 30 June 2013
K T Shilubane (Occupational nursing practioner)	M W Shilubane (Spouse)	68,350
G M Komapi (Buyer)	K S Komapi (Spouse)	26,821
T S Mokoena (Senior storekeeper)	M M C Mokoena (Spouse)	456,592
A Malatsi (Cultural officer)	M J Malatsi (Spouse)	17,890
M K Maluleka (Ward committee member) & L P Marole (Councilor)	A M Maluleka (Spouse) & J P Marole (Spouse)	28,000
M P Mabaso (Artisan)	M B Leso (Spouse)	86,815
W J Snyman (Storekeeper)	Z Snyman (Spouse)	1,984,569
L S Teffo (Senior administrative officer)	L F Teffo (Spouse)	86,430
K R Nkosi (Support service officer)	N R Nkosi (Spouse)	50,400
C J Lemmer (Functional head)	R Lemmer (Spouse)	20,339
A E Mukwevho (IT helpdesk agent)	M F Mukwevho	2,780,880
M M Mabuza (Waiter)	S M Mabuza (Spouse)	3,121,055
		8,728,141

52. In-kind donations and assistance

The group received the following in-kind- donations and assistance during the 2012/13 financial year::

- Legal Counsel division received gifts (declared in the gift register) in the form of spa vouchers, etc to the approximate value of R2 550.
- Emergency Services received: Soccer clothing sets to the value of R7 621; Relief assistance from NGO's and the Red Cross at major incidents (e.g. blankets, groceries). Further the Emergency Services provided free fire and ambulance services at various events.

53. Operating leases

The group leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10 %. The group has the option to extend the agreement for periods ranging between one month and three years.

Housing Company Tshwane: Operating lease payments represent rentals payable by the entity for its head office. The lease has no binding renewal terms and Housing Company Tshwane does not have the option to purchase the building. No contingent rent is payable. The lease payments for the financial year under review amounts to R345 471. Further does Housing Company have operating leases with regard to rentals payable by the entity for a copier machine. The lease payments for the financial year under review amounts to R39 572 and no contingent rent is payable.

The amounts of minimum lease payments under non-cancelable operating leases in respect of office equipment and properties are as follows:

Non-cancelable office equipment

Payable within a year	2,257,727	4,454,144	410,198	1,507,826
Payable within 2 to 5 years	353,249	2,540,933	-	410,198
	2,610,976	6,995,077	410,198	1,918,024

Non-cancelable property leases

Payable within a year	26,493,297	46,735,365	26,493,297	46,735,365
Payable within 2 to 5 years	12,730,906	39,890,851	12,730,906	39,890,851
	39,224,203	86,626,216	39,224,203	86,626,216

Non-cancelable vehicles - busses

Payable within a year	57,600,000	-	57,600,000	-
Payable within 2 to 5 year	43,200,000	-	43,200,000	-
	100,800,000	-	100,800,000	-

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
54. Rental income straightlining				
Gross investment in the lease due				
- within one year	19,975,622	18,380,165	19,975,622	18,380,165
- in second to fifth year inclusive	57,362,322	62,190,199	57,362,322	62,190,199
- later than five years	210,940,978	222,118,832	210,940,978	222,118,832
	<u>288,278,922</u>	<u>302,689,196</u>	<u>288,278,922</u>	<u>302,689,196</u>

55. Contingencies

Housing loan guarantees				
Guarantees for housing loans to employees at financial institutions	389,685	389,685	389,685	389,685

With the implementation of the MFMA no new guarantees are issued, the liability would therefore decrease in future. The property was used as collateral in cases of default of payments.

Indemnification				
Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993	61,476,642	53,260,876	61,476,642	53,260,876

The capitalised value as at 31 December as calculated by the department of Labour amounted to R61 476 642 (2012 = R53 260 876 and 2011 = R49 229 513). The actual amount ceded is R52 629 170. Consistent with prior years the amendment to the cession will be addressed in the following financial year.

Guarantees issued				
Guarantees issued in favour of Eskom	<u>213,500</u>	<u>213,500</u>	<u>213,500</u>	<u>213,500</u>
Insurance claims				
Pending claims iro asset-, motor own damage- contractors and electricity claims	79,550,866	378,524	79,550,866	378,524
Pending claims iro public liabilities	<u>14,441,619</u>	<u>59,137,354</u>	<u>14,441,619</u>	<u>59,137,354</u>
	<u>93,992,485</u>	<u>59,515,878</u>	<u>93,992,485</u>	<u>59,515,878</u>

Above mentioned insurance claims originated before 30 June.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R58 163 644 million (2011/12 = R109.7 million).

Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups:

a. General Litigation

City Planning, Development & Regional Services Department

Case 1:

The applicant requested information from the City of Tshwane to enable the applicant to institute proceedings against the respondent. The information was provided as per the granted court order. The applicant then brought an action for damages against the respondent. The City of Tshwane is not involved as the Applicant requested no legal relief against the City of Tshwane. The City of Tshwane however decided to inform the court of our approach on the matter. This matter is being reported as there is a potential for the respondent to sue. The matter is still pending as a trial date and judgement is awaited.

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Group	2013		2012		Municipality	
	2013		2012		2013	
	R	Restated	R	Restated	R	Restated

55. Contingencies (continued)

Case 2:

The claimant had entered into agreements in respect of various advertising sites that were allocated to the claimant in terms of a council resolution in 2002. The various agreements were entered into in 2005 and in terms of the agreements the claimant was to erect advertising structures. These advertising structures were to generate income for the claimant and the City of Tshwane would, in turn, be entitled to monthly payment for the allocation of the sites. In 2007 the City of Tshwane cancelled the agreements because the claimant failed to comply with various terms of the agreements. City of Tshwane already pleaded in this matter. The consolidation of the claims and the counterclaims has been approved by the court. Due to reluctance of the plaintiff to set the matter down for hearing, the City of Tshwane is now in the process to apply for a trial date. Summons were issued against the City of Tshwane for the specific performance of the contracts between the plaintiff and City of Tshwane, alternatively damages to the amount of R15 300 000.

Case 3:

The City of Tshwane had previously sold a piece of land to the claimant in an amount of R29 000. Part of the condition of the land sale agreement was that the claimant would apply for street closure and rezoning; and affect all incidental requirements related therefore. The plaintiff was never party to the agreement. However, the plaintiff is of the opinion that they have an interest in the sale agreement as the relevant property sold borders their property. The proposed sale was advertised according to the prescribed procedure and no objections were received. The City of Tshwane awaits the confirmation of the trial date which must be requested by the plaintiff.

Case 4:

The applicant brought an application that the City of Tshwane declared to be ordinary members of the Boskoop Estate Property Owners Association (section 21 company) and that the City of Tshwane be compelled to enforce the conditions of establishment of Wapadrand Extension 44. The application was served on the City of Tshwane on 17 February 2011. In this regard the applicant brought the application against the developer of the estate as well as against the City of Tshwane and request the court to compel the City of Tshwane to enforce the conditions of establishment and to be declared to be in default of enforcing the conditions. If this application succeeds it will force the City of Tshwane to get involved in all section 21 companies which was created through the process of land use applications i.e. rezoning, township establishment and subdivisions. Attorneys were instructed to oppose the matter and an opposing affidavit was filed. A trial date is awaited.

Housing and Sustainable Human Settlement Development Department:

Case 1:

In this matter the property was expropriated by the City of Tshwane and compensation was paid. The owners did not agree with the compensation paid and brought action for additional compensation. This is a complicated matter and will have a bearing on other claimant's claims in the area as another expropriation was done in the area to provide low cost housing. The relief sought amounts to: R746 110 (compensation), R43 700 as solatium in terms of the Expropriation Act, payment of interest on R746 110. There is also a potential risk of a flood of claims. The matter was postponed "sine die" and cost reserved. The matter is set down for trial on 6 October 2011.

Case 2:

The matter relates to the expropriation of portion 34 of the farm Kameelzynkraal in order to establish an agri-village on the property. The expropriation was executed; however the matter was taken on review. The matter is still pending in court and confirmation from Housing Department is awaited regarding the suitability of the envisaged land for human habitation and the concomitant finances related thereto.

Case 3:

The plaintiff issued summonses against the municipality for the loss of rental in respect of the illegal occupiers and money lost for the cleaning of the property after the illegal occupiers were removed. The matter is defended and is pending.

Case 4:

The Mamelodi Concerned Committee together with three occupiers brought an application against the City of Tshwane, the Province and National Government to provide water, sanitation, housing and a detailed upgrading development plan as well as the time frames within which housing is to be provided to the applicants. The applicant further compels the City of Tshwane to provide the applicants with adequate basic temporary shelter and/or housing pending the obtaining of their permanent accommodation. The matter was opposed to protect the interest of the City of Tshwane. The City of Tshwane's opposing affidavit was served and filed. The applicant's replying affidavit is awaited. After the replying affidavit is received a court date will be obtained.

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Group	Municipality	
	2013	2012
	R	Restated R

55. Contingencies (continued)

Case 5 - Housing Company Tshwane:

The claimant entered into an agreement with City Properties as a managing agent for the City of Tshwane in terms of which the claimant would provide guarding/security services at Schubart and Kruger Park complexes. Housing Company Tshwane took over the duties of City Properties and terminated the agreement with effect from 31 January 2008. The claimant is suing Housing Company Tshwane for R1 069 166 for non-payment of invoices relating to 2006 after their services has been terminated. It should be noted that at no stage did the claimant raise the alleged non-payment matter prior to their services being terminated on 31 January 2008. No contract existed between the claimant and Housing Company Tshwane at the time the claimant alleges to have rendered guarding services to Housing Company Tshwane. The claimant is not sure about what the alleged amount is owed, various amounts have been bandied about by the claimant.

Case 6- Housing Company Tshwane:

The claimant entered into an agreement with City Properties as a managing agent for the City of Tshwane in terms of which the claimant would provide maintenance and repair services at Schubart and Kruger Park complexes. Housing Company Tshwane took over the duties of City Properties and suspended the agreement on 1 December 2006. The claimant is suing Housing Company Tshwane for R86 613 for suspending the agreement.

Financial Service Department:

Case 1:

Plaintiff claims damages to the amount of R11 461 450 as she maintains that the tender for network maintenance should have been awarded to her. The application brought by the applicant was defective. The City of Tshwane is at present awaiting the amended claim, where after a decision will be taken on the way forward. A notice of exception was served on the applicant's attorneys as the amended particulars of the claim were still excipable (not allowable).

Case 2:

Claim against City of Tshwane for fees outstanding for work done in terms of contract to the amount of R207 589,99. The matter is defended as no agreement exists. However, the City of Tshwane entered into an agreement with a consortium to do certain work of which the plaintiff was a party. The consortium has been paid for the service rendered. This matter was set down for trial on 10 November 2009 but the plaintiff withdrew the application. The City of Tshwane is awaiting a further report from our attorneys whether the plaintiff is prepared to pay the City of Tshwane's legal costs. Only after this report has become available a discussion will be taken whether an application must be brought to compel the plaintiff to pay the City of Tshwane's legal costs. The Legal Services department is still in a process to recover legal cost from the plaintiff.

Case 3:

In this matter a summons was issued against the City of Tshwane for an amount of R2 622 000 being for services rendered. In this matter the plaintiff claim that a written and oral agreement was concluded with the City of Tshwane in terms of which the applicant would develop a long term financial sustainability plan for the City of Tshwane. The matter was heard by the Court. The City of Tshwane opposed the application for summary judgment as lodged by the applicant as it does not conform to the requirements for a summary judgment in this specific case. The Court granted the City of Tshwane leave to defend and the cost was reserved. In the meantime the applicant has lodged his amended application. This amendment to the application as aforementioned will be opposed by the City of Tshwane. The City of Tshwane awaits a trial date.

Case 4:

The plaintiff issued a summons in which debatement (reconciliation) of two service accounts are requested as the plaintiff avers that these accounts are defective and inadequate in certain respects. The summons was served on the City of Tshwane on 1 March 2011. In this regard the plaintiff avers that two service accounts are not correct and defective. The plaintiff also avers that the plaintiff has requested the City of Tshwane to debate the service accounts which were not done. This is the reason why they issued summons. To defend the action and put the City of Tshwane's version of the history of the two accounts (debit to the amount of R49 636.10 and credit to the amount of R5 000.00), before the Court. The City of Tshwane is proceeding to file an exception to the summons.

Case 5:

The plaintiffs issued a summons against the City of Tshwane in which the plaintiffs request delivery of all accounts and documents that relate to all bulk services contributions claimed in the by the City of Tshwane from subsequent developers that connected to the sewer line erected by the plaintiff which must be refunded to the plaintiffs. The plaintiffs further aver that the City of Tshwane might owe them money. The City of Tshwane is proceeding to file an exception to the summons.

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	2012	Restated	2013	2012
	R	R	R	R

55. Contingencies (continued)

Case 6:

Implementation of the NERSA (National Electricity Regulator of South Africa) ruling regarding the adjustment and crediting of the applicant's account. The applicant had queried an account on the basis of electricity charges. The applicant questioned the accuracy of the City of Tshwane's meter. As such the applicant approached the Court on an urgent basis to compel the City of Tshwane to refer the dispute to NERSA and not to implement credit control policies pending ruling by NERSA. The matter did eventually go to NERSA and NERSA made a ruling to the effect that the City of Tshwane had to credit the applicant's account with an amount of R42 599.19. Despite this ruling being made in 2009 the Finance Department has not implemented the NERSA decision. It is the view of the Finance Department that the NERSA decision is wrong as it was based on a report which contained wrong calculations.

Case 7:

The matter pertains to a dispute relating to legal fees. Apparently the municipality verbally ("orally engaged the services of") instructed a service provider in September 2005 to do debt collection on behalf of the municipality and that the municipality owes the legal firm R1 657 251 (being legal cost on work done on 951 files). Matter is defended.

Case 8:

The plaintiff instituted an action for the re-payment of property rates to the municipality and which is alleged not to have been due. The matter is on the roll for 14 September 2011.

Case 9:

The plaintiff instituted action for the re-payment of property rates paid to the municipality and which is alleged not to have been due in the amount of R438 640.94. Matter removed from the roll on 20 April 2011. Each party pays its own cost. New trial date received 26 November 2011.

Case 10:

The applicant brought an application for the review of tender CB367/2011 in terms of which two contractors were awarded to provide print services to the City of Tshwane. The claimant is requesting that the decision by the City of Tshwane and the Bid Committee to award tender CB367/2011 be reviewed and set aside. The matter was opposed. The record of proceedings will be filed as required at court and requested in the application.

Case 11

An urgent application was received in which the applicant requested that the City of Tshwane be restrained and interdicted from implementing tender CB198/2011 for the supply, delivery, installation, testing and commissioning of optical fibre cabling and then in Part B, the review of the awarding of the tender. Attorneys were appointed to oppose the matter and to file an opposing affidavit. The affidavit has been filed and a replying affidavit from the applicant is awaited where after the matter will be set down for trial.

Corporate and Shared Services: Property Management and Community Safety:

Case 1:

The applicant and the municipality entered into a written agreement for the sale of erf 549 Erasmus Extension 2. The agreement was subject to the suspensive condition which neither the applicant nor the municipality fulfilled for a period of 5 years. The plaintiff subsequently instituted an action for the transfer of the property at the original purchase price, the property which is worth a considerable amount more now. The matter was defended successfully in court, however, the applicant applied for leave of appeal. This matter is set down for trial in the Supreme Court of Appeal on 20 August 2012.

Case 2:

Payment of invoices for repairs done to one of the vehicles. Awaiting trial date.

Case 3:

Motor vehicle accident. The plaintiff alleges that the traffic officer caused the accident on 1 September 2009 at Poort Primary School on the Kameeldrift Road and since, at all material times, the traffic officer was acting within the scope of his employment the municipality is vicariously liable for the damages caused to the plaintiff's car to the amount of R29 238.04. The applicant secured a default judgment against the former Nokeng Municipality without the said municipality being aware of the application since it was not served on the municipality. Matter is defended to set aside the default judgment.

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	2013	2012	Restated	Restated
R	R	R	R	R

55. Contingencies (continued)

Public Works and Infrastructure Development Department: Roads & Storm water:

Case 1:

The plaintiff is suing the City of Tshwane for an amount of R2 616 642 plus interest and costs. This matter stems from three contracts entered into between the erstwhile Northern Pretoria Metropolitan Sub-Structure on the one hand and plaintiff as a joint venture during 2003. The contractors had to, in terms of the agreements, construct and complete the work, as defined and remedy any defects therein, in accordance with the provision of the three contracts. The contractor claimed to have constructed and completed the works to the satisfaction of the engineer and the City of Tshwane. The contractor alleges, that due to the non performance on the part of the municipality in not providing them information and the failure to move the existing services (to allow construction to progress), the project suffered serious delays which resulted in time delays and they suffered damages.

Case 2:

The plaintiff was injured in 1996 when she drove through a pothole, lost control of her car and collided into a tree. Summons was issued in 1999 for an amount of R450 000 plus interest for injuries sustained. The matter was defended. A trial date for the adjudication of the quantum is awaited for the settlement.

Case 3:

Breach of contract, tender awarded to plaintiff. Plaintiff failed to live up to tender specifications and the City of Tshwane cancelled the contract and is now being sued for R 1 401 516. Matter is defended.

Case 4:

Breach of contract. Plaintiff awarded tender to construct roads and storm water drainage in Winterveld. Plaintiff failed to live up to tender specifications and is now suing the City of Tshwane for the tender amount of R690 446.30. The City of Tshwane instructed another contractor to complete the work. Matter is defended.

Case 5:

Breach of contract. Plaintiff instructed to sandblast and paint 1 820 cubic meter bins which were not collected and now kept as lien. Plaintiff is suing for storage costs at R2 299 500. Matter is defended.

Case 6:

Contractual claim for payment, arising out of contractual disputes consisting of payment for work done and costs incurred due to adverse conditions experienced on site, over and above amounts paid as the contract price. The consulting engineer refused to pay for claims. Adjudicator ruled that the contractor was entitled to claim additional payment. Plaintiff issued summons to claim payment of R6 683 428.18. The matter is defended.

Case 7:

Contractor alleged that they encountered adverse conditions on site which led to them expanding more work and expenses in order to carry out the construction of the sewer network infrastructure in Temba, Ramotse, Marokolong, Kudube (5, 8, 9), Leboneng, Stinkwater (A-D). There is a compliant about labour unrest and a disagreement about the measurement of manholes. Contractor had submitted claims for payment for the additional work and expenses incurred but the consulting engineer had refused to pay or make a determination on them. As result, a dispute was declared and the matter is now in arbitration. The matter is defended.

Case 8:

Plaintiff was appointed as project manager for the Refilwe Extension 2,3, and 5 Housing Project at a cost of R1 650 per stand, inclusive of VAT, for a maximum of 670 stands. For some reason the construction project agreement between the municipality and Gauteng Department of Housing was never finalised. The appointment of the applicant was conditional upon the commencement of the Construction Project Agreement between the municipality and the Gauteng Department of Housing. The amount owing on 10 January 2007 was R1 012 000. The service provider is suing for this amount plus 15.5% interest. The matter is defended.

Case 9:

Personal injury allegedly caused by the municipality's negligence, by leaving cables hanging and the substation's door open and as a result a young boy was electrocuted and his body sustained 90 degree burns. The municipality's approach is to proceed with the matter and finalise it as the municipality was not negligent on this matter. The matter was defended and was later removed from the roll. Awaiting trial date.

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55. Contingencies (continued)

Agricultural and Environmental Management

Case 1:

The plaintiff issued summons for damages for the alleged breach of contract by appointing two new contractors before the expiry of the tender. Relief sought is payment in the amount of R99 689.00 (excluding vat); Interest on the aforesaid amount and at the rate of 15.5% per annum as from 30 June 2009 to date of payment; payment in the amount of R82 696 (excluding vat). Interest on the aforesaid amount at the rate of 15.5% per annum from 31 July 2009; payment in the amount of R97 349.00, Interest on the aforesaid amount at the rate of 15.5% per annum as from 31 August 2009 to date of payment; payment in the amount of R 73 308.50. Interest on the aforesaid amount at the rate of 15.5% per annum as from 30 September 2009 to date of payment. Payment in the amount of R 79 181. Interest on the aforesaid amount at the rate of 15.5% per annum as from 31 October 2009 to date of payment. Cost of the suit. Further and/or alternative relief.

Social Development Department, Sport and Recreation

Case 1:

Application for rescission of judgement taken against the erstwhile City Council of Centurion for payment of license fees relating to music licenses (music was allegedly piped through the City of Tshwane's systems in public halls). The City of Tshwane is seeking an order setting aside the judgement taken in default by the Southern African Music Rights Organisation for payment of an amount of R14 969, 66 in license fees. The City of Tshwane has launched an application for rescission of judgement. The City of Tshwane contention is that the summons was not properly served. The summons was issued against the Centurion Town Council which no longer exists. The summons was also issued in Johannesburg Magistrates Court while the said court does not have jurisdiction. In addition the amounts claimed have prescribed. Awaiting court date.

b. Court matters for Finance Service Department (Debt Collection):

Urgent applications were also served on the City of Tshwane to obtain a Court order to re-connect disconnected services. Further legal actions, including applications for Contempt of Court, were instituted by the applicants to compel the City of Tshwane to adhere to the orders granted. The cost orders that were granted against the City of Tshwane amounts to a minimum of R20 000 per case. Currently 80 such cases are pending.

c. Labour prosecutions:

The municipality is involved in litigation with certain employees whose employment was terminated as a result of re-organization or dismissals due to disciplinary reasons, disputes in respect of allowances, placing policies, disputes with unions and SALGA, etc. The following is a summary of the cases:

Case 1:

Senior employees of disestablished municipalities e.g. City Council of Pretoria, Centurion, GPMC and Northern Pretoria Metropolitan Sub-structure: These employees are stating that they have not been employed in the positions they used to occupy before the disestablishment. It could have a huge financial implication as these employees will have to be paid severance packages. Settlement agreement signed on behalf of SALGA and various municipalities that revolve around the re-employment of former permanent employees on fixed term contracts (commonly known as "section 56 employees"). The case is still to be heard in court. The applicants will in all probability not proceed with their case against the City of Tshwane.

Case 2:

An employee issued summons against Council out of the High Court. Applicant approached Court on the pretext that City of Tshwane breached his sec. 57 contract. Applicant is suing the municipality from all fora available to him. The City of Tshwane could be liable for breach of contract as well as other costs. The Court ordered that the matter be removed from the roll and costs to be awarded against Applicant. The applicant has submitted a request for rescission of the initial award and the Order of 6 December 2010. The City of Tshwane is waiting for the outcome of the matter.

Case 3:

Approximately 43 metro police members: Unfair labour practice relating to promotion. Applicants claimed that they should be promoted to senior superintendents in the Metro Police Division

Case 4:

Unfair dismissal. The employee's services had been terminated after it was discovered that their re-employment to the City of Tshwane had not been in line with the recruitment and selection policy of the City of Tshwane. They approached the SALGBC with a dispute of unfair dismissal. The court order is awaited

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	Restated		Restated		Restated	
	R	R	R	R	R	R

55. Contingencies (continued)

Case 5:

Claimant and 99 other metro-police constables: Applicants lodged an application at the High Court claiming to be accelerated progressed to the rank of sergeants in terms of the grading scheme and on grounds of a legitimate expectation created by the City of Tshwane in this respect. A Notice of Opposition was filed and an opposing affidavit. Applicants seem not to pursue their case any further and the City of Tshwane has instructed the attorney to close his file and provide the Legal Services with his account.

Case 6:

Claimant is taking an award against him on review to Labour Court. Claimant approached an arbitrator and requested that he be promoted to the rank of Director in the Community Safety department (Metro-Police). He complained that he applied for the position but was not short listed nor invited to job interviews. The Arbitrator ruled that he in fact did not apply for the position and dismissed his claim. He is now taking this award on review to Labour Court. A Notice of Opposition was filed. City of Tshwane is awaiting the transcript of the record of the Arbitration where after the parties need to comply with the Rules of the Court before the matter will be set down for hearing.

Case 7:

Unfair dismissal - The employee had been dismissed for misconduct at the Disciplinary Tribunal of the City of Tshwane. The employee now challenges the dismissal as being both procedurally and substantively unfair. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 8:

Unfair Labour Practice relating to promotion in terms of the Alternative Service Delivery (ASD) Migration and Placement collective agreement. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process. The Applicant has in the meantime approached City of Tshwane with an offer to resign should an amount of R600 000 be paid to him as settlement. This is the approximate amount he lost would he have been appointed to the position he claimed to be in. Electricity and Energy Division is in favour of this settlement and a report to this effect has been prepared for approval by the Accounting Officer.

Case 9:

Solidarity o.b.o. Augusto & 28 others: Claim i.t.o. sec. 77(3) & 77(A) of the B.C.E.A., claim for unpaid salaries, unlawful deductions and their contracts of service. Applicants were employed by a labour broker contracting to the City of Tshwane. The broker deducted certain amounts from the salaries of the employees. The broker then went into liquidation leaving the employees only with a claim against Council as we are held jointly and severally liable with the broker i.t.o. labour legislation. The Department has however withheld certain payments to the broker due to invoices not submitted and the bulk of their claims centered on these outstanding amounts. A settlement was negotiated with the contractors and we are in the process of finalizing the case. Council has done away with hiring workers via labour broking firms. Figures were given through and the City of Tshwane are awaiting a final reply.

Case 10:

Unfair Labour Practice relating to promotion. The employee had successfully obtained an arbitration award in his favour against the City of Tshwane at the SALGBC that he be appointed and / or promoted to a senior position. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 11:

Applicant alleges that he was demoted when the structure changed and he now had to report to an official in a higher job level as previously he reported to the Speaker. Applicant's attorney approached the City of Tshwane to investigate the possibility of termination of his contract but that he is paid out for the rest of his fixed term.

Case 12:

Review of an award made against the former Kungwini Local Municipality to the amount of approximately R4 million based on the wrongful interpretation and application of an upgrading of the local authority to a higher grade culminating in the abolishment of job levels 14 and 15 and the employees on those levels transgressing to level 13. Applicants argued that all other employees of the municipality should likewise be transgressed to higher levels and the arbitrator agreed with them and made such an order. The matter is being defended. Heads of argument to be filed by the parties.

Case 13:

Dismissal after a disciplinary hearing. The applicant was charged with fraud pertaining to the issuing of clearance certificates and subsequent refunds that were due to the applicant (members of the community) for the clearance certificate if the property was transferred before the expiry date. He was subsequently found guilty in absentia by the disciplinary committee since he failed to attend the hearing without a valid reason and was dismissed. The matter is defended and the municipality shall claim costs.

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	2013	2012
	R	Restated R

55. Contingencies (continued)

Case 14:

The Applicant brought an application against the City of Tshwane and the City Manager for an order declaring that the City of Tshwane should contribute towards the monthly premium payable by the second and third applicants to the medical aid scheme after their retirement in terms of the applicable pension fund rules. The matter was opposed and the necessary papers were filed. This matter could have far reaching effect and financial implications for the City of Tshwane if such an order is granted.

Case 15

Plaintiff alleges that his contract of employment was unlawfully terminated by the the City of Tshwane. As a result he had to find another employment at a lower salary. Plaintiff now claims from the City of Tshwane the difference in the reduced salary and his previous salary. Plaintiff took the unfair dismissal to the labour court and won and was awarded damages. Plaintiff wants the City of Tshwane to pay damages amounting to R2 500 000. The matter is defended.

Case 16

Plaintiff alleges that a contract of employment was repudiated by the City of Tshwane. Consequently, the plaintiff suffered damages as a result of such repudiation and is now claiming damages from the City of Tshwane to the amount of R5 464 800. The matter is defended.

d. Litigation matters that have a strategic and financial impact on the management of City of Tshwane:

Case 1:

The applicant referred a claim to the amount of R32 000 000 to arbitration which claim emanates from services the applicant allegedly rendered for the City of Tshwane in terms of a contract to refurbish Loftus Versveld for the 2010 World Cup. In this matter the applicant had a contract with the City of Tshwane to refurbish Loftus Versveld stadium. His contract was cancelled. He now avers that there are monies owed to him. The matter will be referred to arbitration and we expect that an arbitrator will be appointed soon. This matter is still in process.

Case 2: Wage Curve Agreement:

Contingencies arising from pending litigation on wage curve agreement - On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/payable for employee wages, depending on the outcome of the pending litigation. In addition, feedback on calculations done by the city regarding the job evaluation has not yet been received from SALGA. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

56. Change in estimate

Property, plant and equipment

The useful lives of all asset classes have been reviewed and adjusted to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 12 under property, plant and equipment for a discussion on the basis on which the review of useful lives was done.

The effect of changing the remaining useful lives has increased the depreciation charge for the current and future periods. The total number of assets affected is 434 996

Landfill sites

The useful lives of landfill sites have been reviewed and adjusted (if applicable) after closure of some sites to more accurately reflect the life spans of the assets. The incorporation of the landfill site of Kungwini Local Municipality also affected the depreciation charges for the 2011/12 financial year.

Housing Company Tshwane reviewed the useful life of certain plant from 5 to 10 years and the effect of this revision decreased the depreciation charges by R31 395.

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56. Change in estimate (continued)				
Effect of change in estimates				
Other and infrastructure assets	69,971,171	11,513,046	69,971,171	11,513,046
Housing Company: other assets	31,395	-	-	-
Landfill sites	-	3,723,913	-	3,723,913
	70,002,566	15,236,959	69,971,171	15,236,959

57. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the consolidated annual financial statements.

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency
- if such goods or services are produced or available from a single provider only
- for the acquisition of special works of art or historical objects where specifications are difficult to complete
- acquisition of animals for zoos and/or nature and game reserves
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes

Deviation from tender and quotation process:

- * Sole suppliers
- * Emergency
- * Impracticality

Housing Company Tshwane deviated from the official procurement processes during the financial year due to emergencies and services available from a single supplier -

- * in an emergency (R264 846)
- * services available from a single provider only (R76 448)

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

Deviation from tender process (amounts above R200 000)

Other deviations: various reasons	80,819,516	207,447,934	80,819,516	207,447,934
Housing Company Tshwane	264,846	-	-	-
Less: Transfer to irregular expenditure iro ex facto payments (note 48)	-	-	-	(5,903,837)
	81,084,362	207,447,934	80,819,516	201,544,097

Deviation from quotation process

Amounts below R200 000	389,266	10,463,298	389,266	10,463,298
Housing Company Tshwane	76,448	-	-	-
Sandspruit Works Association	297,225	1,069,953	-	-
TEDA	36,822	-	-	-
Less: Transfer to irregular expenditure iro ex facto payments (note 48)	-	(696,936)	-	(696,936)
	799,761	10,836,315	389,266	9,766,362

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	2013	2012	2013	2012
	R	Restated R	R	Restated R

58. Budget differences

Material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue and expenditure versus the final budget as material and for capital expenditure the percentage deviation is 5%

The following revenue and expenditure line items showed a material variance for the year ended 30 June 2013:

- * Investment revenue (35% over): The interest earned on external investments increased due to an increase in the amount of investments
- * Fines (15% over): More fines were received than budgeted for
- * Other revenue (20% under): Revenue on various line items realised lower than anticipated during budget process.
- * Licences and permits (16% over): More licences and permits were taken out than anticipated.
- * Remuneration of councillors (4% over)
- * Debt impairment (13% over): The provision for bad debt is re-calculated at year end and it exceeded the planned impairment. This is a non-cash item.
- * Depreciation and amortisation (16% over): This is due to the purification of the asset register and capitalisation of assets under construction. This is a non-cash item.
- * Finance charges (6% over): Exceeded the budget mainly due to the restructuring of the loan book and the interest rate swaps the municipality entered into during 2012/13.
- * Bulk purchases (6% under): Underspent due to saving measures instituted.
- * Other materials (17% under): Underspent due to saving measures instituted.
- * Transfers and grants (18% under): This expenditure (grants-in-aid) is dependent upon applications submitted by consumer debtors for rebates on assessment rates and less applications were received than anticipated.
- * Other expenditure (38% under): This is the result of savings on coal and heating fuel purchases, under spending on project linked housing, LED initiatives, EPWP job creation, lease of office equipment, insurance premiums and excesses, etc.

The capital expenditure did not show a material variance for the year ended 30 June 2013 as 99% expenditure was achieved.

Changes from the approved budget to the final budget

The mid-year budget review report approved by the Council on 31 January 2013, indicated the necessity for an Adjustments Budget for the 2012/13 financial year for, inter alia the following:

- to adjust the revenue estimates downward owing to a declining trend in certain operating revenue sources, such as "Service charges: Electricity"
- to authorise the utilisation of projected savings in one vote towards spending under another vote
- to facilitate the inclusion of rolled over/transfer grant funding
- to correct errors, which can be attributed to i.e. the regionalisation process

The Council approved the 2012/13 Original Revenue Budget to the amount of R20.5 billion which was decreased with R176.3 million to R20.3 billion (decrease of 0.9%). Furthermore, the total expenditure of R20.8 billion was reduced with an amount of R423.0 million to R20.4 billion (decrease of 2.0%). As a result the budgeted deficit of R289.2 million was decreased to R42.5 million, indicating the City's strategy towards long-term financial sustainability.

59. Co-operative relationships

The City of Tshwane is involved in the following PPP's (only co-operative relationships) (existing contracts/agreements)

- Health & Social Development with Foundation for Professional Development into Multi Sectorial AIDS Management
- Health Care Service with Elisabeth Glaser Pediatric AIDS Foundation - prevention of AIDS transmission from mother to child
- Health & Social Development with Carel du Toit Hearing Centre - conduct audiometric tests targeting hearing acuity for children
- Health & Social Development with Foundation for Professional Development - public service to identify epidemiological and community service data that will assist in directing public, private, international and other non-governmental bodies in addressing needs of people affected by HIV
- Health & Social Development with Znimpilo (NGO) - conduct research project on why males are reluctant to visit PHC clinics in Atteridgeville
- Health & Social Development with NAFCI: Establishing youth friendly services in Mamelodi West, Lotus Gardens, Atteridgeville and Saulsville PHC clinics
- Emergency Services: Fire Protection Associations (FPA's) in the rural areas – Their role is to assist in fire fighting on veld and forest fires in terms of the National Veld and Forest Fire Act, 1998 (Act 101 of 1998)
- Health Department with Maasmechelen Municipality for capacity building in respect of Community Structures (Working together as local authorities)
- Health & Social Development with HSRC into prevention strategy targeting commercial sex workers
- City of Tshwane has a joint venture with GDARD on mechanization scheme. MoU was signed between the 2 parties articulating association of the 2 organisations.

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
60. Distribution losses: Water				
Non-revenue Water (NRW) - kilolitre				
Technical losses (real losses)	62,157,183	66,557,002	60,089,893	64,962,244
Non-technical losses (apparent losses)	18,061,401	19,002,766	15,022,473	16,240,560
	80,218,584	85,559,768	75,112,366	81,202,804
Non-revenue Water (NRW) - Rand value				
Technical losses (real losses)	312,482,476	302,883,311	301,050,363	295,643,111
Non-technical losses (apparent losses)	92,067,863	86,451,195	75,262,591	73,910,778
	404,550,339	389,334,506	376,312,954	369,553,889

Water is supplied to the group from Rand Water and from the City's own water sources. Monthly meter readings of the supply are used to monitor the total gross supply and monthly meter readings of water exported to the neighbouring municipalities are used to calculate the net water input into the City.

Water loss management in the city is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management strategies. The primary outcome of these strategies is to reduce:

- * Technical losses (where not all water supplied reached the consumer, and)
- * Financial losses (where not all water reaching the consumer is paid for).

These losses are caused by:

- Real losses (physical loss of water from the system), and
- Apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption - this is water consumed not properly measured, accounted and paid for).

From the above, water losses in the city is determined by calculating the amount of non-revenue water (NRW) which is the difference between the volume of water supplied into the system and the authorised consumption.

Activities undertaken by the Water and Sanitation Division involve the continuous investigation into various factors leading to water loss and the implementation of various initiatives to assist with the reduction of non-revenue water. These investigations with subsequent mini projects are often cross-region initiatives where work performed in one region directly affects other regions. The initiatives include the following:

- * Network analysis of existing systems
- * Monitoring and logging of pressures and flows
- * Engineering investigations in problematic areas
- * Pressure management - installation and setting of PRV's and/or PRV controllers
- * Domestic and commercial meter audits and meter replacements
- * Active leak detection by locating water leaks using various methods and equipment
- * Continuous meter audits.

At the end of June 2013 the NRW for the municipality is calculated at 75 112 366 kl (23.6% of the total input into the system). This is a marked improvement of NRW in the city when compared to June 2012 where the NRW was 81 202 788 kl (25.5% of the total input into the system). The losses in R-value amounts to R376.3 million (2012 = R369.6 million). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R4.551 for 2011/12 and R5.01 for 2012/13 respectively.

At the end of June 2013 the NRW for the group is calculated at 80 218 584 kl (22.7% of the total input into the system). This is a marked improvement of NRW in the city when compared to June 2012 where the NRW was 85 559 768 kl (24.2% of the total input into the system). The losses in R-value amounts to R404.6 million (2012 = R389.3 million). The calculation is based on the unit tariff of Rand Water purchases per kilolitre at R4.551 for 2011/12 and R5.01 for 2012/13 respectively. The total loss in Rand value is likewise considerably higher than last year, due to the substantial increase in NRW and the Rand Water tariff.

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	2013	2012	2013	2012
	R	Restated R	R	Restated R
61. Distribution losses: Electricity				
Distribution loss: kWh				
Technical	702,576,319	632,440,340	702,576,319	632,440,340
Non-technical	404,483,224	644,035,079	404,483,224	644,035,079
	1,107,059,543	1,276,475,419	1,107,059,543	1,276,475,419
Distribution loss - Rand value				
Technical	395,199,179	322,607,817	395,199,179	322,607,817
Non-technical	227,521,814	328,522,294	227,521,814	328,522,294
	622,720,993	651,130,111	622,720,993	651,130,111

The electricity distribution loss comprises of technical and non-technical losses. For the 2012/13 financial year the distribution losses amount to 11.03%. The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

The City of Tshwane's has a five year target to reduce the non-technical losses activities like theft, illegal connections to less than 2%. The refurbishment of the electricity network will assist in managing the technical losses because the technical losses increase with the ageing of the electricity network. The five year target is to have unaccounted losses to 9% (7% technical and 2% non-technical losses).

Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses. The value of non-technical loss amounts to R227,5 million or 404 483 224 kWh (2011/12 = R328,5 million or 644 035 079 kWh) based on the cost per unit purchased namely 56.25 c/kWh (2011/12 = 51.01 c/kWh) for the 2012/13 financial year.

The City of Tshwane's Services Infrastructure Department is currently busy with the following initiatives to reduce the non-technical losses:

- * Installation of non-intrusive meter boxes
- * Auditing of metering installation
- * Installation of smart meters
- * Regular illegal cable removal operations

Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. The NERSA acceptable figure for a network like that of the City of Tshwane is estimated to be 7%.

The value of technical loss amounts to R395,2 million or 702 576 319 kWh (2011/12 = R322,6 million or 632 440 340 kWh) based on the cost per unit purchased namely 56.25 c/kWh (2011/12 = 51.01 c/kWh) for the 2012/13 financial year.

The City of Tshwane's Services Infrastructure Department is further also busy addressing the technical losses by:

- * Refurbishing and replacing old equipment in the network
- * Strengthening over-headlines

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62. Transfer of functions

During the current reporting period

Transfer of function 1 - 2013

The name of the acquiree	Retail and bulk water services functions managed by Magalies Water in the Greater Temba area
Description of the acquiree	District Municipality
The acquisition date of the transfer of function	1 November 2012
The primary reasons for the transfer of functions	Mayoral Committee resolution dated 16 May 2012 to take over the provision of retail water services in the Greater Temba area and the operation and management of the Temba and Roodeplaat Water Treatment Works
The acquirer obtained control of the acquiree in the following manner	Take over of water service debtors on 1 November 2012, certain property, plant and equipment and inventory items.
The acquisition-date fair value of the total consideration transferred	Zero

Assets and liabilities

Major class of asset and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Consumer debtors	154,148,659	154,148,659	-
Cash and cash equivalents (receipts - debtors)	25,639,479	25,639,479	-
Property, plant and equipment	131,924	131,924	-
Inventory	1,570,170	1,570,170	-
Accumulated surplus/(deficit)	(19,158,418)	(19,158,418)	-
	<u>162,331,814</u>	<u>162,331,814</u>	<u>-</u>

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62 Transfer of functions (continued)

During the prior reporting period

Transfer of function 1

The name of the acquiree	Metsweding District Municipality
Description of the acquiree	District Municipality
The acquisition date of the transfer of function	1 July 2011
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.
The acquirer obtained control of the acquiree in the following manner	Take over of all assets and liabilities on 1 July 2011.
The acquisition-date fair value of the total consideration transferred	Zero

Assets and liabilities

Major class of asset and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	895,369	895,369	-
Cash and cash equivalents	27,525	27,525	-
Property, plant and equipment	6,245,461	7,059,877	814,416
Intangible assets	301,268	301,268	-
Provisions	(409,973)	(409,973)	-
Unspent conditional grants	(2,371,568)	(2,371,568)	(2,371,568)
Trade and other payables	(2,190,469)	(1,755,406)	435,063
Reserves	-	-	2,497,613
	2,497,613	3,747,092	1,375,524

Transfer of function 2

The name of the acquiree	Nokeng-tsa-Taemane Local Municipality
Description of the acquiree	Local Municipality
The acquisition date of the transfer of function	1 July 2011
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane.
The acquirer obtained control of the acquiree in the following manner	Take over of all assets and liabilities on 1 July 2011
The acquisition-date fair value of the total consideration transferred	Zero

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62 Transfer of functions (continued) Acquired assets and liabilities

Major class of assets and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of function
Receivables	20,099,327	19,953,423	(145,904)
Inventory	52,233	52,233	-
Cash and cash equivalents	3,676,949	3,676,949	-
Property, plant and equipment	379,462,061	420,429,289	40,967,228
Intangible assets	286,392	286,392	-
Loans and receivables	448,987	370,344	(78,643)
Provisions	(19,850,727)	(19,036,798)	813,926
Consumer deposits	(2,525,842)	(2,525,842)	-
Unspent conditional grants	(28,616,727)	(28,616,727)	(28,616,727)
Trade and other payables	(62,939,326)	(61,479,466)	1,459,860
Long-term loans	(2,869,517)	(2,869,517)	-
Finance leases	(474,322)	(252,879)	221,443
Bank overdraft	(912,772)	(912,772)	-
Accumulated surplus	-	-	285,836,716
	285,836,716	329,074,629	300,457,899

Transfer of function 3

The name of the acquiree	Kungwini Local Municipality
Description of the acquiree	Local Municipality
The acquisition date of the transfer of function	1 July 2011
The primary reasons for the transfer of functions	Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) establishing the new boundaries of the City of Tshwane Metropolitan Municipality. Incorporation of the former Metsweding District Municipality, Nokeng-tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane
The acquirer obtained control of the acquiree in the following manner	Take over of all assets and liabilities
The acquisition-date fair value of the total consideration transferred	Zero

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

62 Transfer of functions (continued) Acquired assets and liabilities

Major class of assets and liabilities	Take-on balance	Fair value	Gain/(loss) on transfer of functions
Receivables	123,384,014	100,235,644	(23,148,370)
Inventory	1,928,004	1,925,254	(2,750)
Cash and cash equivalents	1,690,997	1,690,997	-
Property, plant and equipment	783,194,004	840,231,215	57,037,211
Intangible assets	663,518	663,518	-
Provisions	(33,221,460)	(24,250,921)	8,970,539
Consumer deposits	(11,939,062)	(11,939,062)	-
Unspent conditional grants	(16,421,156)	(16,421,156)	(16,421,156)
Trade and other payables	(241,076,588)	(217,918,172)	23,158,416
Long-term loans	(20,750,543)	(20,750,543)	-
Finance leases	(214,296)	(199,471)	14,825
Accumulated surplus	-	-	587,237,432
	587,237,432	653,267,303	636,846,147

Gain/(loss) recognised in current reporting period

Gain/(loss) recognised	-	1,033,166,378	-	1,033,166,378
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2013:

Magalies Water - the balances of consumer debtors were brought in from 31 October 2012 (opening balance) and then the levies and receipts for each month from November 2012 to June 2013. The value of assets and inventory was brought in from a list that was made available. The consumer debtors were migrated onto the municipality's billing system during August 2013 and the final reconciliation and determination of the gain/loss will be determined during the 2013/14 financial year. The balance of the bank account in the records of Magalies Water which are ring-fenced for consumer debtor payments will be paid over to City of Tshwane during 2013/14.

2012:

The trial balances and audited annual financial statements as at 30 June 2011 of the 3 municipalities were used to bring in the balances on 1 July 2011 via take-on accounts. All these balances were then verified and reconciled by the relevant officials and any amounts that could not be satisfactorily verified or substantiated by acceptable supporting documentation were transferred to the net gain/(loss) on the transfer of function account. Hence the net gain realising on an amount of R1 033 165 710. The net gain of R1 033 165 710 is equal to the take-on assets less liabilities of the disestablished municipalities at fair value.

63. Deferred tax

Shown in Statement of Financial Position as follows:

Non-current assets	836,432	-	-	-
Non-current liabilities	(11,569)	-	-	-
	824,863	-	-	-

Reconciliation of deferred tax asset (liability)

Prepaid expense	624,325	-	-	-
Provisions	32,666	-	-	-
Trade and other payables	179,441	-	-	-
Property, plant and equipment	(11,569)	-	-	-
	824,863	-	-	-

64. Deferred operating lease liability

Non-current liabilities	(2,372,547)	(5,069,533)	(2,308,997)	(4,936,934)
Current liabilities	(3,117,455)	(2,777,684)	(2,990,938)	(2,501,856)
	(5,490,002)	(7,847,217)	(5,299,935)	(7,438,790)

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

65. Impairment of assets

Impairments				
Property, plant and equipment	4,818,771	29,807,842	4,818,771	29,807,842

The main classes of assets affected by impairment losses are: Moveable Assets with a condition rating of poor and very poor. Infrastructure assets were impaired according to specific indicators. Assets held for sale: Fair values were determined based on the selling price of assets received according to previous auctions held, taking into consideration its current condition

66. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had an accumulated surplus of R13 449 418 963 (2012 = R11 556 484 980) and that the municipality's total assets exceed its liabilities by R 13,866,601,172. The difference consist of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R364 618 386.

Further, as at 30 June 2013, the group had an accumulated surplus of R13 501 982 786 (2012 = R11 586 460 150) and that the group's total assets exceed its liabilities by R 13,866,601,172. The difference consist of the Housing Development Fund, Self-insurance reserve and COID reserve to a total of R364 618 386.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The major figures and ratios affecting the going concern are discussed in paragraph 6 of the Report of the Chief Financial Officer.

Cash and cash equivalents increased significantly as a result of the following:

- Increased borrowings to fund long-term infrastructure
- Increased collections
- On-going cost reduction strategies - all heads of departments have cost saving targets included in their performance agreements.

67. Expenditure by National Treasury classification

Expenditure	2013	2012	2013	2012
Employee related cost	5,304,963,546	4,815,285,269	5,225,703,077	4,739,894,487
Remuneration of councillors	92,573,294	91,453,370	92,573,294	91,453,370
Debt impairment	951,619,336	903,949,770	944,018,153	880,622,872
Depreciation and asset impairment	1,107,939,932	1,063,046,364	1,108,772,256	1,058,882,638
Finance charges	740,274,779	633,215,352	739,074,831	632,350,791
Bulk purchases	6,695,411,406	6,172,120,339	6,791,791,416	6,258,775,168
Other materials	442,445,958	528,801,526	460,957,065	528,402,374
Contracted services	3,335,443,766	2,921,373,914	3,424,458,808	2,974,199,689
Transfers and grants	17,290,290	21,495,798	17,290,290	21,495,798
Other expenditure	649,363,936	481,873,218	725,577,334	422,114,172
Loss on disposal of PPE	279,422,601	112,038,698	108,544,695	112,038,698
	19,616,748,844	17,744,653,618	19,638,761,219	17,720,230,057
Total expenditure per statement of financial performance	19,616,748,844	17,744,653,618	19,638,761,219	17,720,230,057

City of Tshwane Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2013

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
	2013	2012	2013	2012
	R	Restated R	R	Restated R

68. Interest rate swaps

The municipality holds derivative financial instruments to hedge its interest rate risk exposures. The municipality entered into interest rate swap contracts that entitle it to receive interest at fixed rates on notional principal amounts and that oblige the municipality to pay interest at variable rates on the same amounts. The interest rate swap allows the municipality to raise long-term borrowings at variable rates and effectively swap them into fixed rates in terms of the structured finance contractual requirements. The interest rate swaps are initially measured at fair value on the contract/trade date; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, the interest rate swaps are measured at fair value at each reporting date:

The municipality entered into interest rate swaps with the following role players:

DBSA:

Trade date: 13 March 2013 and Settlement date: 1 March 2023
Nominal amount: R641 000 000
Fixed rate: 9.75% and Variable rate: Jibar + 2.55 basis points
Payable: Semi-annual

Nedbank:

Trade date: 14 March 2013 and Settlement date: 18 May 2020
Nominal amount: R283 213 572
Fixed rate: 8.70% and Variable rate: Jibar + 2.22 basis points
Payable: Semi-annual

Nedbank:

Trade date: 15 March 2013 and Settlement date: 15 June 2020
Nominal amount: R281 869 753
Fixed rate: 8.70% and Variable rate: Jibar + 2.21 basis points
Payable: Semi-annual

DBSA:

Trade date: 16 March 2013 and Settlement date: 1 March 2023
Nominal amount: R361 000 000
Fixed rate: 9.90% and Variable rate: Jibar + 2.85 basis points
Payable: Semi-annual

DBSA:

Trade date: 17 March 2013 and Settlement date: 30 June 2027
Nominal amount: R482 758 621
Fixed rate: 9.70% and Variable rate: Jibar + 2.48 basis points
Payable: Semi-annual

Standard Bank

Trade date: 18 March 2013 and Settlement date: 30 June 2022
Nominal amount: R473 684 211
Fixed rate: 9.20% and Variable rate: Jibar + 2.05 basis points
Payable: Semi-annual

Nedbank:

Trade date: 31 December 2012 and Settlement date: 30 June 2026
Nominal amount: R943 766 167
Fixed rate: 9.31% and Variable rate: floating - Prime -1.28
Payable: Semi-annual

Interest paid on the interest rate swaps to the amount of R18 323 257 were recognised in surplus or deficit during 2012/13.

Interest rate swap - amounts (in total)

Effective gain/(loss)	81,554,131	-	81,554,131	-
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Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2013

Interest Rate (%)	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2013	Carrying Value of Property, Plant & Equipment	Value Rand								
LOCAL REGISTERED STOCK :																
Issued																
Loan 105 (Issued 1997)	16.65	2014.06.30	98,045,858	-	1,954,142	100,000,000	137,742,973									
Loan 43 (Issued 1984)	16.25	2004.04.30	5,812	-	(812)	5,000	6,887									
			98,051,670	-	1,953,330	100,005,000	137,749,860									
TERM LOANS																
DBSA: bullet portion	13.50	2018.04.30	51,818,169	-	(132,802)	51,685,367	71,192,962									
DBSA: Floating rate	Variable	2019.10.31	79,718,642	-	(92,838)	79,625,804	109,678,950									
Housing Company: National Housing Finance Corporation	14.00	2011.10.31	3,434,694	-	315,386	-	3,119,308	3,119,308								
TEDA			1,000	-	-	1,000	-									
			134,972,505	-	315,386	(225,640)	134,431,479	183,991,220								
ANNUITY LOANS:																
DBSA	13.5	2018.04.30	183,239,644	-	18,496,484	(526,085)	164,217,075	226,197,482								
DBSA Local Authorities	13.5	2012.12.31	4,299,891	-	4,028,700	(271,191)	-	-								
DBSA (Restructuring)	10.97	2018.12.31	194,376,972	-	18,619,582	(1,068,280)	174,689,110	240,621,970								
INCA	11.03	2019.06.30	13,294,498	-	1,345,338	-	11,949,160	16,459,128								
INCA	9.52	2020.03.31	158,674,099	-	13,691,696	(253,946)	144,728,457	199,353,278								
INCA	11.01	2020.06.30	36,007,660	-	3,002,789	-	33,004,871	45,461,890								
DBSA	9.36	2020.12.31	216,299,390	-	15,436,196	(769,061)	200,094,133	275,615,607								
INCA	10.92	2020.12.31	74,627,296	-	5,701,929	-	68,925,367	94,939,849								
INCA	10.81	2021.06.30	61,719,093	-	4,340,627	-	57,378,466	79,034,806								
DBSA	5.0	2021.12.31	73,031,583	-	6,015,493	(158,913)	66,857,177	92,091,064								
DBSA	9.84	2021.12.31	325,146,834	-	20,877,871	(1,101,746)	303,167,217	417,591,537								
Ivuzi	8.74	2021.12.31	153,922,488	-	10,963,320	-	142,959,168	196,916,207								
DBSA	6.25	2028.06.30	92,657,257	-	3,224,263	(115,317)	89,317,677	123,028,822								
DBSA	12.81	2028.06.30	202,191,995	-	3,662,794	(312,277)	198,216,924	273,029,882								
DBSA	11.32	2028.06.30	200,957,379	-	3,966,173	(291,364)	196,699,842	270,940,212								
ABSA Roodeplaat Temba	12.5	2021.03.31	196,024,229	-	12,359,621	1,006,795	184,671,403	254,371,880								
DBSA Roodeplaat Temba	11.99	2021.03.31	101,113,389	-	6,489,832	548,415	95,171,972	131,092,704								
Nedbank Roodeplaat Temba	12.51	2021.03.31	134,590,447	-	8,497,240	868,382	126,961,589	174,880,667								
DBSA TIP	6.75	2029.06.30	144,950,286	-	4,359,067	(145,909)	140,445,310	193,453,545								
DBSA IIP	10.84	2029.06.30	669,603,702	-	641,334,385	(28,269,317)	-	-								
Nedbank	9.27	2020.05.18	313,853,432	-	26,804,264	(3,657,869)	283,391,299	390,351,599								
Nedbank	9.32	2020.06.16	312,167,474	-	28,513,705	(1,606,900)	282,046,869	388,499,740								
DBSA	10.18	2010.12.01	355,204,913	-	346,422,713	(8,782,200)	-	-								
Standard Bank	7.72	2026.06.30	963,546,943	-	39,733,028	372,644	924,186,559	1,273,002,041								
DBSA	5.00	2013.03.31	345,344	-	343,932	(1,412)	-	-								
DBSA	5.00	2016.08.31	878,718	-	189,546	(779)	688,393	948,214								
DBSA	15.04	2016.06.30	17,933,307	-	3,149,285	(115,042)	14,668,980	20,205,489								
Standardbank - Magalies Water	13.50	2014.09.30	975,303	-	274,835	(7,769)	692,699	954,145								
DBSA	Jibar	2027.06.29	500,000,000	-	500,000,000	-	-	-								
Standardbank	Jibar	2022.06.29	500,230,125	-	500,000,000	(230,125)	-	-								
Nedbank	Jibar	2029.06.29	-	641,000,000	-	16,889,489	657,889,489	906,196,540								
Nedbank	Jibar	2025.12.01	-	361,000,000	-	9,873,854	370,873,854	510,852,672								
iVuzi (Firstrand bank)	Jibar	2022.06.30	-	500,000,000	26,315,789	194,016	473,878,227	652,733,956								
iVuzi (Firstrand bank)	Jibar	2027.12.01	-	500,000,000	17,241,379	209,107	482,967,728	665,254,106								
			6,201,863,691	2,002,000,000	2,295,401,876	(17,722,800)	5,890,739,015	8,114,079,032								

Appendix A
Supplementary unaudited information

Schedule of external loans as at 30 June 2013

Interest Rate (%)	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Amortised value	Balance at 30 June 2013	Carrying Value of Property, Plant & Equipment
			Rand	Rand	Rand	Rand	Rand
MUNICIPAL BONDS							
Cot1: Standard bank	10.20	2023.04.02	-	560,000,000	-	13,771,397	790,329,780
Cot2: Standard bank	9.11	2023.04.02	-	830,000,000	-	18,229,984	848,229,984
Cot3: Standard bank	9.46	2028.06.05	-	750,000,000	-	4,859,589	754,859,589
			-	2,140,000,000	-	36,860,970	2,176,860,970
			6,434,887,866	4,142,000,000	2,295,717,262	20,865,860	8,302,036,464
							11,434,293,125
FINANCE LEASES							
ABSA	Variable *		50,345,553	2,921,258	13,924,181	-	39,342,630
DATACENTRIX	Variable *		129,356	2,731	132,087	-	-
DEBIS FLEET MANAGEMENT	Variable *		168,315,625	13,401,313	73,688,683	-	108,028,255
FLEET AFRICA	Variable *		314,715	17,957	102,836	-	229,836
Molpone	Variable *		15,385,188	1,425,297	16,810,485	-	-
ZEDA	Variable *		6,933,491	505,573	1,774,618	-	5,664,446
TSHWANE AUTO LEASING	Variable *		56,071,897	8,070,798	42,107,971	-	22,034,724
BIDVEST	Variable *		1,116,894	6,050	1,122,944	-	-
VUSWA	Variable *		4,376,667	291,846	1,504,052	-	3,164,461
ABSA SOL	Variable*		47,841	8,356	19,631	-	36,566
			303,037,227	26,651,179	151,187,488	-	178,500,918
							171,655,845

Appendix B
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

2012/13												2011/12				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard																
Governance and administration	6,464,083,100	410,039,735	6,874,122,835	-		6,874,122,835	7,022,438,822		148,315,987	102 %	109 %					6,773,711,429
Executive and council	94,656,200	132,605,957	227,262,157	-		227,262,157	203,674,430		(23,587,727)	90 %	215 %					68,646,417
Budget and Treasury Office	4,500,000	(1,217,040)	3,282,960	-		3,282,960	3,096,275		(186,685)	94 %	69 %					5,439,008
Corporate services	6,364,926,900	278,650,818	6,643,577,718	-		6,643,577,718	6,815,668,117		172,090,399	103 %	107 %					6,699,626,004
Community and public safety	773,636,828	133,689,446	907,326,274	-		907,326,274	855,378,706		(51,947,568)	94 %	111 %					852,548,140
Community and social services	41,362,400	6,952,612	48,315,012	-		48,315,012	50,654,083		2,339,071	105 %	122 %					63,470,349
Sport and recreation	58,287,950	4,778,232	63,066,182	-		63,066,182	65,073,067		2,006,885	103 %	112 %					48,348,959
Public safety	55,894,243	1,291,100	57,185,343	-		57,185,343	51,373,806		(5,811,537)	90 %	92 %					61,681,295
Housing	516,365,235	120,577,851	636,943,086	-		636,943,086	596,056,291		(40,886,795)	94 %	115 %					603,130,978
Health	101,727,000	89,651	101,816,651	-		101,816,651	92,221,459		(9,595,192)	91 %	91 %					75,916,559
Economic and environmental services	1,328,848,360	32,065,946	1,360,914,306	-		1,360,914,306	1,313,948,916		(46,965,390)	97 %	99 %					692,785,429
Planning and development	189,801,710	(61,689,000)	128,112,710	-		128,112,710	124,692,566		(3,420,144)	97 %	66 %					112,286,048
Road transport	1,138,093,650	93,754,946	1,231,848,596	-		1,231,848,596	1,188,452,024		(43,396,572)	96 %	104 %					579,960,804
Environmental protection	953,000	-	953,000	-		953,000	804,326		(148,674)	84 %	84 %					538,577
Trading services	13,566,425,094	(102,357,995)	13,464,067,099	-		13,464,067,099	12,649,691,534		(814,375,565)	94 %	93 %					11,603,497,629
Electricity	9,547,420,800	(181,539,477)	9,365,881,323	-		9,365,881,323	8,602,837,271		(763,044,052)	92 %	90 %					8,146,657,910
Water	2,355,645,500	79,181,482	2,434,826,982	-		2,434,826,982	2,429,249,145		(5,577,837)	100 %	103 %					2,187,536,326
Waste water management	973,869,094	-	973,869,094	-		973,869,094	960,932,303		(12,936,791)	99 %	99 %					708,427,920
Waste management	689,489,700	-	689,489,700	-		689,489,700	656,672,815		(32,816,885)	95 %	95 %					560,875,473
Other	200,852,755	-	200,852,755	-		200,852,755	190,662,901		(10,189,854)	95 %	95 %					170,160,770
Other	200,852,755	-	200,852,755	-		200,852,755	190,662,901		(10,189,854)	95 %	95 %					170,160,770
Total Revenue - Standard	22,333,846,137	473,437,132	22,807,283,269	-		22,807,283,269	22,032,120,879		(75,162,390)	97 %	99 %					20,092,703,397

Appendix B
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

2012/13

2011/12

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	3,358,313,475	(82,123,325)	3,276,190,150	-	-	3,276,190,150	3,395,669,235	232,257,219	119,479,085	104 %	101 %	-	-	-	2,771,537,971
Executive and council	611,327,673	38,732,319	650,059,992	-	-	650,059,992	537,281,858	-	(112,778,134)	83 %	88 %	-	-	-	447,320,878
Budget and treasury office	52,425,496	3,489,614	55,915,110	-	-	55,915,110	56,773,838	858,728	858,728	102 %	108 %	-	-	-	28,180,299
Corporate services	2,694,560,306	(124,345,258)	2,570,215,048	-	-	2,570,215,048	2,801,613,539	231,398,491	231,398,491	109 %	104 %	-	-	-	2,296,036,794
Community and public safety	3,434,438,704	43,415,889	3,477,854,593	-	-	3,477,854,593	3,550,971,949	75,108,472	73,117,356	102 %	103 %	-	-	-	3,148,822,165
Community and social services	443,043,519	24,992,213	468,035,732	-	-	468,035,732	482,449,345	14,413,613	14,413,613	103 %	109 %	-	-	-	435,754,273
Sport and recreation	863,152,991	(129,777,020)	733,375,971	-	-	733,375,971	731,968,442	-	(1,407,529)	100 %	85 %	-	-	-	715,422,280
Public safety	1,402,425,542	43,957,922	1,446,383,464	-	-	1,446,383,464	1,445,799,877	-	(583,587)	100 %	103 %	-	-	-	1,223,656,683
Housing	438,199,295	104,373,150	542,572,445	-	-	542,572,445	584,183,161	41,610,716	41,610,716	108 %	133 %	-	-	-	495,992,648
Health	287,617,357	(130,376)	287,486,981	-	-	287,486,981	306,571,124	19,084,143	19,084,143	107 %	107 %	-	-	-	277,996,281
Economic and environmental services	1,933,077,865	17,778,300	1,950,856,165	-	-	1,950,856,165	1,840,311,317	14,974,206	(110,544,848)	94 %	95 %	-	-	-	1,677,463,845
Planning and development	435,945,277	6,670,659	442,615,936	-	-	442,615,936	341,263,761	-	(101,352,175)	77 %	78 %	-	-	-	273,128,578
Road transport	1,430,433,753	11,414,802	1,441,848,555	-	-	1,441,848,555	1,456,822,761	14,974,206	14,974,206	101 %	102 %	-	-	-	1,348,184,301
Environmental protection	66,698,835	(307,161)	66,391,674	-	-	66,391,674	42,224,795	-	(24,166,879)	64 %	63 %	-	-	-	56,150,966
Trading services	11,774,634,787	(8,248,762)	11,766,386,025	-	-	11,766,386,025	11,156,927,963	8,989,848	(609,458,062)	95 %	95 %	-	-	-	10,343,934,485
Electricity	8,244,147,526	(87,755,522)	8,156,392,004	-	-	8,156,392,004	7,766,250,838	-	(390,141,166)	95 %	94 %	-	-	-	7,268,906,577
Water	2,072,073,339	85,884,246	2,157,957,585	-	-	2,157,957,585	1,965,294,478	-	(192,663,107)	91 %	95 %	-	-	-	1,791,228,494
Waste water management	485,572,784	1,078,004	486,650,788	-	-	486,650,788	451,007,151	-	(35,643,637)	93 %	93 %	-	-	-	412,513,035
Waste management	972,841,138	(7,455,490)	965,385,648	-	-	965,385,648	974,375,496	8,989,848	8,989,848	101 %	100 %	-	-	-	871,286,379
Other	198,771,259	1,036,583	199,807,842	-	-	199,807,842	178,252,893	-	(21,554,949)	89 %	90 %	-	-	-	176,749,190
Other	198,771,259	1,036,583	199,807,842	-	-	199,807,842	178,252,893	-	(21,554,949)	89 %	90 %	-	-	-	176,749,190
Total Expenditure - Standard	20,699,236,090	(28,141,315)	20,671,094,775	-	-	20,671,094,775	20,122,133,357	331,329,745	(548,961,418)	97 %	97 %	-	-	-	18,118,507,656
Surplus/(Deficit) for the year	1,634,610,047	501,578,447	2,136,188,494	-	-	2,136,188,494	1,909,987,522	-	(226,200,972)	89 %	117 %	-	-	-	1,974,195,741

Appendix C
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

	2012/13										2011/12					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote																
City Planning and Development	121,907,810	3,062,000	124,969,810	-		124,969,810	123,447,469		(1,522,341)	99 %	101 %					107,027,754
City Strategies & Performance Management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %					-
Communications, Marketing & Events	167,000	-	167,000	-		167,000	6,616		(160,384)	4 %	4 %					-
Corporate & Shared Services	68,121,500	6,751,162	74,872,662	-		74,872,662	97,307,832		22,435,170	130 %	143 %					99,627,374
Emergency Services	60,651,400	1,331,900	61,983,300	-		61,983,300	63,424,459		1,441,159	102 %	105 %					47,604,149
Environmental Management	804,702,655	(1,000,000)	803,702,655	-		803,702,655	781,562,117		(22,140,538)	97 %	97 %					659,856,355
Financial Services	6,266,254,588	194,543,477	6,460,798,065	-		6,460,798,065	6,642,120,176		181,322,111	103 %	106 %					6,568,813,174
Health & Social Development	45,427,500	589,651	46,017,151	-		46,017,151	37,727,760		(8,289,391)	82 %	83 %					34,472,133
Housing & Human Settlement	481,790,500	120,577,851	602,368,351	-		602,368,351	568,687,092		(33,681,259)	94 %	118 %					582,924,824
Information & Communication Technology Management	189,300	51,894,178	52,083,478	-		52,083,478	49,093,589		(2,989,889)	94 %	25,934 %					1,064,506
Legal Services	337,500	-	337,500	-		337,500	173,550		(163,950)	51 %	51 %					280,128
Macro Economic Planning	12,893,900	(9,751,000)	3,142,900	-		3,142,900	1,245,617		(1,897,283)	40 %	10 %					2,198,059
Metro Police Services	162,069,843	6,694,500	168,764,343	-		168,764,343	172,352,040		3,587,697	102 %	106 %					173,335,879
Office of the Chief Audit Executive	34,330,812	24,221,693	58,552,505	-		58,552,505	30,618,443		(27,934,062)	52 %	89 %					35,391,257
Office of the Chief Whip	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %					10
Office of the City Manager	60,275,900	126,450,099	186,725,999	-		186,725,999	183,448,646		(3,277,353)	98 %	304 %					48,364,735
Office of the Executive Mayor	-	-	-	-		-	991		991	DIV/0 %	DIV/0 %					-
Office of the Speaker	-	-	-	-		-	75		75	DIV/0 %	DIV/0 %					-
Regional Service Delivery	271,762,585	(38,823,026)	232,939,559	-		232,939,559	233,970,385		1,030,826	100 %	86 %					212,498,660
Research & Innovation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %					-
Service Infrastructure: Electricity	9,541,626,600	(181,539,477)	9,360,087,123	-		9,360,087,123	8,570,780,894		(789,306,229)	92 %	90 %					8,130,754,606
Service Infrastructure: Water and Sanitation	3,311,460,494	79,181,482	3,390,641,976	-		3,390,641,976	3,367,181,312		(23,460,664)	99 %	102 %					2,874,480,854
Sport and Recreation	2,322,000	2,832,996	5,154,996	-		5,154,996	3,764,030		(1,390,966)	73 %	162 %					5,448,847
Transport	1,087,554,250	86,419,646	1,173,973,896	-		1,173,973,896	1,105,207,786		(68,766,110)	94 %	102 %					508,560,094
Total Revenue by Vote	22,333,846,137	473,437,132	22,807,283,269	-		22,807,283,269	22,032,120,879		(775,162,390)	97 %	99 %					20,092,703,398

Appendix C
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2013

2012/13

2011/12

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure by Vote to be appropriated															
City Planning	227,979,596	2,179,019	230,158,615	-	-	230,158,615	205,742,320	-	(24,416,295)	89 %	90 %	-	-	-	224,265,363
City Strategies & Performance Management	19,294,750	(352,375)	18,942,375	-	-	18,942,375	19,400,798	458,422	458,423	102 %	101 %	-	-	-	17,199,005
Communications, Marketing & Events	131,541,961	(1,751,232)	129,790,729	-	-	129,790,729	131,537,336	1,746,607	1,746,607	101 %	100 %	-	-	-	38,835,449
Corporate & Shared Services	742,868,083	35,983,333	778,851,416	-	-	778,851,416	775,116,065	-	(3,735,351)	100 %	104 %	-	-	-	692,139,969
Emergency Services	402,125,751	18,651,485	420,777,236	-	-	420,777,236	453,411,305	32,634,069	32,634,069	108 %	113 %	-	-	-	397,877,721
Environmental Management	1,484,831,463	(125,043,560)	1,359,787,903	-	-	1,359,787,903	1,354,231,797	-	(5,556,106)	100 %	91 %	-	-	-	1,278,900,043
Financial Services	1,281,316,679	(142,935,281)	1,138,381,398	-	-	1,138,381,398	1,364,283,558	225,902,160	225,902,160	120 %	106 %	-	-	-	1,067,738,430
Health & Social Development	222,705,677	9,166,390	231,872,067	-	-	231,872,067	226,346,498	-	(5,525,569)	98 %	102 %	-	-	-	195,581,404
Housing & Human Settlement	302,203,226	106,956,147	409,159,373	-	-	409,159,373	452,262,357	43,102,984	43,102,984	111 %	150 %	-	-	-	363,321,835
Information & Communication Technology Management	317,292,272	15,008,659	332,300,931	-	-	332,300,931	405,951,365	73,650,434	73,650,434	122 %	128 %	-	-	-	331,764,473
Legal Services	88,605,735	2,631,159	91,236,894	-	-	91,236,894	81,621,699	-	(9,615,195)	89 %	92 %	-	-	-	84,407,168
Macro Economic Planning	143,520,171	61,796,107	205,316,278	-	-	205,316,278	155,776,199	-	(49,540,079)	76 %	109 %	-	-	-	45,961,202
Metro Police Services	1,158,730,340	26,998,871	1,185,729,211	-	-	1,185,729,211	1,163,531,383	-	(22,197,828)	98 %	100 %	-	-	-	982,965,588
Office of the Chief Audit Executive	274,270,159	(47,524,711)	226,745,448	-	-	226,745,448	174,848,039	-	(51,897,409)	77 %	64 %	-	-	-	154,252,975
Office of the Chief Whip	19,414,346	1,196,625	20,610,971	-	-	20,610,971	17,958,635	-	(2,652,336)	87 %	93 %	-	-	-	12,987,460
Office of the City Manager	193,695,026	25,826,678	219,521,704	-	-	219,521,704	159,412,794	-	(60,108,910)	73 %	82 %	-	-	-	67,854,137
Office of the Executive Mayor	100,060,553	20,594,027	120,654,580	-	-	120,654,580	103,750,644	-	(16,903,936)	86 %	104 %	-	-	-	72,516,073
Office of the Speaker	185,349,049	(3,921,367)	181,427,682	-	-	181,427,682	171,210,130	-	(10,217,552)	94 %	92 %	-	-	-	153,637,955
Regional Service Delivery	2,350,750,693	(79,386,657)	2,271,364,036	-	-	2,271,364,036	2,487,240,236	215,876,200	215,876,200	110 %	106 %	-	-	-	2,415,659,409
Research & Innovation	425,000	1,498,044	1,923,044	-	-	1,923,044	2,130,484	207,440	207,440	111 %	501 %	-	-	-	-
Service Infrastructure: Electricity	7,673,272,841	(73,976,883)	7,599,295,958	-	-	7,599,295,958	7,047,849,233	-	(551,446,725)	93 %	92 %	-	-	-	6,562,270,300
Service Infrastructure: Water and Sanitation	2,305,998,359	87,466,721	2,393,465,080	-	-	2,393,465,080	2,147,719,356	-	(245,745,724)	90 %	93 %	-	-	-	1,966,772,762
Sport and Recreation	16,995,736	16,220,246	33,215,982	-	-	33,215,982	30,306,920	-	(2,909,062)	91 %	178 %	-	-	-	18,867,712
Transport	1,055,988,624	14,577,240	1,070,565,864	-	-	1,070,565,864	990,494,206	-	(80,071,658)	93 %	94 %	-	-	-	972,731,224
Total Expenditure by Vote	20,699,236,090	(28,141,315)	20,671,094,775	-	-	20,671,094,775	20,122,133,357	593,578,316	(548,961,418)	97 %	97 %	-	-	-	18,118,507,657
Surplus/(Deficit) for the year	1,634,610,047	501,578,447	2,136,188,494	-	-	2,136,188,494	1,909,987,522	(226,200,972)	89 %	117 %	117 %	117 %	117 %	117 %	1,974,195,741

Appendix D
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	2012/13										2011/12				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	3,721,740,700	200,000,000	3,921,740,700	-		3,921,740,700	3,999,445,335		77,704,635	102 %	107 %				3,357,657,236
Service charges - electricity revenue	8,989,063,400	(209,842,500)	8,779,220,900	-		8,779,220,900	8,131,246,433		(647,974,467)	93 %	90 %				7,523,803,545
Service charges - water revenue	2,137,475,100	79,076,954	2,216,552,054	-		2,216,552,054	2,284,590,275		68,038,221	103 %	107 %				1,954,998,856
Service charges - sanitation revenue	551,606,000	(5,000)	551,601,000	-		551,601,000	596,651,038		45,050,038	108 %	108 %				524,566,997
Service charges - refuse revenue	592,063,200	-	592,063,200	-		592,063,200	503,271,655		(88,791,545)	85 %	85 %				480,000,616
Service charges - other	217,158,500	-	217,158,500	-		217,158,500	126,476,162		(90,682,338)	58 %	58 %				160,002,041
Rental of facilities and equipment	121,843,500	676,862	122,520,362	-		122,520,362	106,060,758		(16,459,604)	87 %	87 %				100,016,243
Interest earned - external investments	45,378,679	1,082,246	46,460,925	-		46,460,925	62,828,009		16,367,084	135 %	138 %				52,933,828
Interest earned - outstanding debtors	307,805,834	-	307,805,834	-		307,805,834	276,805,756		(31,000,078)	90 %	90 %				265,720,882
Fines	3,281,060	141,850	3,422,910	-		3,422,910	3,934,831		511,921	115 %	120 %				4,555,875
Licences and permits	43,732,200	7,000,000	50,732,200	-		50,732,200	58,658,683		7,926,483	116 %	134 %				52,426,020
Transfers recognised - operational	2,553,116,080	102,241,884	2,655,357,964	-		2,655,357,964	2,724,011,275		68,653,311	103 %	107 %				2,322,772,414
Other revenue	835,573,485	28,354,082	863,927,567	-		863,927,567	691,577,963		(172,349,604)	80 %	83 %				1,779,929,071
Gains on disposal of PPE	-	-	-	-		-	9,813,930		9,813,930	DIV/0 %	DIV/0 %				27,111,814
Total Revenue (excluding capital transfers and contributions)	20,119,837,738	208,726,378	20,328,564,116	-		20,328,564,116	19,575,372,103		(753,192,013)	96 %	97 %				18,606,495,438

Appendix D
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

2012/13

2011/12

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	5,613,007,457	(253,988,249)	5,359,019,208	-	-	5,359,019,208	5,304,963,547	-	(54,055,661)	99 %	95 %	-	-	-	4,815,285,269
Remuneration of councillors	99,241,121	(10,300,395)	88,940,726	-	-	88,940,726	92,573,294	3,632,568	3,632,568	104 %	93 %	-	-	-	91,453,370
Debt impairment	908,732,581	(68,472,038)	840,260,543	-	-	840,260,543	951,619,336	111,358,793	111,358,793	113 %	105 %	-	-	-	903,949,770
Depreciation & asset impairment	958,696,660	(3,134,507)	955,562,153	■■■■■	-	955,562,153	1,107,939,932	152,377,779	152,377,779	116 %	116 %	-	-	-	1,063,046,365
Finance charges	791,168,991	(93,722,775)	697,446,216	-	-	697,446,216	740,274,779	42,828,563	42,828,563	106 %	94 %	-	-	-	633,215,352
Bulk purchases	7,185,154,986	(59,070,562)	7,126,084,424	-	-	7,126,084,424	6,695,411,407	-	(430,673,017)	94 %	93 %	-	-	-	6,172,120,339
Other materials	571,835,001	(37,466,693)	534,368,308	-	-	534,368,308	442,445,959	-	(91,922,349)	83 %	77 %	-	-	-	528,801,528
Contracted services	3,368,623,316	151,837,677	3,520,460,993	-	-	3,520,460,993	3,335,443,767	-	(185,017,226)	95 %	99 %	-	-	-	2,921,373,914
Transfers and grants	21,201,500	-	21,201,500	-	-	21,201,500	17,290,291	-	(3,911,209)	82 %	82 %	-	-	-	21,495,798
Other expenditure	1,276,418,218	(48,710,913)	1,227,707,305	-	-	1,227,707,305	849,545,202	-	(378,162,103)	69 %	67 %	-	-	-	594,176,367
Loss on disposal of PPE	-	10,400	10,400	-	-	10,400	279,422,601	279,412,201	279,412,201	86,756 %	DIV/0 %	-	-	-	112,038,698
Total Expenditure	20,794,079,831	(423,018,055)	20,371,061,776	-	-	20,371,061,776	19,816,930,115	589,609,904	(554,131,661)	97 %	95 %	-	-	-	17,856,956,770
Surplus/(Deficit)	(674,242,093)	631,744,433	(42,497,660)	-	■■■■■	(42,497,660)	(241,558,012)	(589,609,904)	(199,060,352)	568 %	36 %	■■■■■	■■■■■	■■■■■	749,538,668
Transfers recognised - capital	1,923,831,899	254,854,254	2,178,686,153	-	■■■■■	2,178,686,153	2,151,545,534	■■■■■	(27,140,619)	99 %	112 %	■■■■■	■■■■■	■■■■■	1,224,657,073
Contributions recognised - capital	-	-	-	-	■■■■■	-	-	■■■■■	-	DIV/0 %	DIV/0 %	■■■■■	■■■■■	■■■■■	-
Contributed assets	-	-	-	-	■■■■■	-	-	■■■■■	-	DIV/0 %	DIV/0 %	■■■■■	■■■■■	■■■■■	-
Surplus/(Deficit) after capital transfers & contributions	1,249,589,806	886,598,687	2,136,188,493	-	■■■■■	2,136,188,493	1,909,987,522	■■■■■	(226,200,971)	89 %	153 %	■■■■■	■■■■■	■■■■■	1,974,195,741
Taxation	-	-	-	-	■■■■■	-	-	■■■■■	-	DIV/0 %	DIV/0 %	■■■■■	■■■■■	■■■■■	-
Surplus/(Deficit) after taxation	1,249,589,806	886,598,687	2,136,188,493	-	■■■■■	2,136,188,493	1,909,987,522	■■■■■	(226,200,971)	89 %	153 %	■■■■■	■■■■■	■■■■■	1,974,195,741
Attributable to minorities	-	-	-	-	■■■■■	-	-	■■■■■	-	DIV/0 %	DIV/0 %	■■■■■	■■■■■	■■■■■	-
Surplus/(Deficit) attributable to municipality	1,249,589,806	886,598,687	2,136,188,493	-	■■■■■	2,136,188,493	1,909,987,522	■■■■■	(226,200,971)	89 %	153 %	■■■■■	■■■■■	■■■■■	1,974,195,741
Share of surplus/ (deficit) of associate	-	-	-	-	■■■■■	-	-	■■■■■	-	DIV/0 %	DIV/0 %	■■■■■	■■■■■	■■■■■	-
Surplus/(Deficit) for the year	1,249,589,806	886,598,687	2,136,188,493	-	■■■■■	2,136,188,493	1,909,987,522	■■■■■	(226,200,971)	89 %	153 %	■■■■■	■■■■■	■■■■■	1,974,195,741

Appendix E

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2013

	2012/13												2011/12				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Capital expenditure - Vote Multi-year expenditure																	
City Planning	5,200,000	-	5,200,000	-	-	5,200,000	3,998,040	-	(1,201,960)	77 %	77 %	-	-	-	-	-	966,800
City Strategies & Performance Management	1,500,000	(500,000)	1,000,000	-	-	1,000,000	643,785	-	(356,215)	64 %	43 %	-	-	-	-	-	-
Communications, Marketing & Events	1,500,000	-	1,500,000	-	-	1,500,000	1,171,191	-	(328,809)	78 %	78 %	-	-	-	-	-	-
Corporate & Shared Services	39,300,000	(18,000,000)	21,300,000	-	-	21,300,000	17,599,941	-	(3,700,059)	83 %	45 %	-	-	-	-	-	885,833
Emergency Services	37,200,000	(4,900,000)	32,300,000	-	-	32,300,000	32,085,249	-	(214,751)	99 %	86 %	-	-	-	-	-	27,481,076
Environmental Management	84,260,000	(3,700,000)	80,560,000	-	-	80,560,000	71,403,799	-	(9,156,201)	89 %	85 %	-	-	-	-	-	33,911,752
Financial Services	17,000,000	522,862	17,522,862	-	-	17,522,862	14,940,113	-	(2,582,749)	85 %	88 %	-	-	-	-	-	11,161,274
Health & Social Development	20,500,000	(6,882,911)	13,617,089	-	-	13,617,089	13,406,447	-	(210,642)	98 %	65 %	-	-	-	-	-	12,149,028
Housing & Human Settlement	438,777,704	5,500,000	444,277,704	-	-	444,277,704	465,861,386	21,583,682	21,583,682	105 %	106 %	-	-	-	-	-	603,548,307
Information & Communication	81,655,000	59,194,177	140,849,177	-	-	140,849,177	165,853,211	25,004,034	25,004,034	118 %	203 %	-	-	-	-	-	196,464,858
Technology Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal Services	1,000,000	-	1,000,000	-	-	1,000,000	840,329	-	(159,671)	84 %	84 %	-	-	-	-	-	-
Macro Economic Planning	11,651,000	(651,000)	11,000,000	-	-	11,000,000	10,980,084	-	(19,916)	100 %	94 %	-	-	-	-	-	1,896,867
Metro Police Services	36,500,000	100,000	36,600,000	-	-	36,600,000	35,670,363	-	(929,637)	97 %	98 %	-	-	-	-	-	24,894,041
Office of the Chief Audit Executive	14,000,000	-	14,000,000	-	-	14,000,000	7,861,628	-	(6,138,372)	56 %	56 %	-	-	-	-	-	396,476
Office of the Chief Whip	1,000,000	-	1,000,000	-	-	1,000,000	585,631	-	(414,369)	59 %	59 %	-	-	-	-	-	-
Office of the City Manager	63,067,000	126,597,920	189,664,920	-	-	189,664,920	185,261,307	-	(4,403,613)	98 %	294 %	-	-	-	-	-	50,304,201
Office of the Executive Mayor	1,500,000	-	1,500,000	-	-	1,500,000	1,139,214	-	(360,786)	76 %	76 %	-	-	-	-	-	-
Office of the Speaker	1,500,000	-	1,500,000	-	-	1,500,000	1,225,002	-	(274,998)	82 %	82 %	-	-	-	-	-	-
Regional Service Delivery	448,860,230	(16,121,395)	432,738,835	-	-	432,738,835	471,230,778	38,491,943	38,491,943	109 %	105 %	-	-	-	-	-	183,267,617
Research & Innovation	1,500,000	-	1,500,000	-	-	1,500,000	1,032,833	-	(467,167)	69 %	69 %	-	-	-	-	-	-
Service Infrastructure: Electricity	605,700,000	101,348,183	707,048,183	-	-	707,048,183	691,370,668	-	(15,677,515)	98 %	114 %	-	-	-	-	-	532,713,971
Service Infrastructure: Water and Sanitation	953,968,115	(68,710,132)	885,257,983	-	-	885,257,983	844,724,099	-	(40,533,884)	95 %	89 %	-	-	-	-	-	691,392,866
Sport and Recreation	15,800,000	(7,167,004)	8,632,996	-	-	8,632,996	7,050,264	-	(1,582,732)	82 %	45 %	-	-	-	-	-	5,447,215
Transport	1,226,407,850	198,390,696	1,424,798,546	-	-	1,424,798,546	1,370,349,300	-	(54,449,246)	96 %	112 %	-	-	-	-	-	607,930,949
Capital multi-year expenditure sub-total	4,109,346,899	365,021,396	4,474,368,295	-	-	4,474,368,295	4,416,284,662	85,079,659	(58,083,633)	99 %	107 %	-	-	-	-	-	2,984,813,131
Single-year expenditure																	
Environmental Management	1,000,000	200,000	1,200,000	-	-	1,200,000	1,090,350	-	(109,650)	91 %	109 %	-	-	-	-	-	83,389
Housing and Human Settlement	74,200,000	-	74,200,000	-	-	74,200,000	66,163,984	-	(8,036,016)	89 %	89 %	-	-	-	-	-	13,517,000
Regional Service Delivery	6,500,000	(1,500,000)	5,000,000	-	-	5,000,000	7,936,609	2,936,609	2,936,609	159 %	122 %	-	-	-	-	-	29,577,293
Transport	162,000,000	(102,900,000)	59,100,000	-	-	59,100,000	59,027,794	-	(72,206)	100 %	36 %	-	-	-	-	-	88,008,403
Capital single-year expenditure sub-total	243,700,000	(104,200,000)	139,500,000	-	-	139,500,000	134,218,737	2,936,609	(5,281,263)	96 %	55 %	-	-	-	-	-	131,186,085
Total Capital Expenditure - Vote	4,353,046,899	260,821,396	4,613,868,295	-	-	4,613,868,295	4,550,503,399	88,016,268	(63,364,896)	99 %	105 %	-	-	-	-	-	3,115,999,216

Appendix E

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2013

2012/13

2011/12

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	214,522,000	178,114,959	392,636,959	-	-	392,636,959	399,105,753	15,491,950	6,468,794	102 %	186 %	-	-	-	259,212,642
Executive and council	73,067,000	136,397,920	209,464,920	-	-	209,464,920	200,872,238	-	(8,592,682)	96 %	275 %	-	-	-	50,735,200
Budget and treasury office	2,000,000	22,862	2,022,862	-	-	2,022,862	1,592,388	-	(430,474)	79 %	80 %	-	-	-	1,624,818
Corporate services	139,455,000	41,694,177	181,149,177	-	-	181,149,177	196,641,127	15,491,950	15,491,950	109 %	141 %	-	-	-	206,852,624
Community and public safety	1,035,694,639	(29,833,104)	1,005,861,535	-	-	1,005,861,535	1,066,490,173	67,419,570	60,628,638	106 %	103 %	-	-	-	803,323,103
Community and social services	63,614,000	(6,711,336)	56,902,664	-	-	56,902,664	51,618,114	-	(5,284,550)	91 %	81 %	-	-	-	70,622,119
Sport and recreation	284,150,000	(821,768)	283,328,232	-	-	283,328,232	342,964,021	59,635,789	59,635,789	121 %	121 %	-	-	-	44,632,875
Public safety	72,200,000	(4,800,000)	67,400,000	-	-	67,400,000	66,256,421	-	(1,143,579)	98 %	92 %	-	-	-	52,375,117
Housing	563,230,639	(4,500,000)	558,730,639	-	-	558,730,639	566,514,420	7,783,781	7,783,781	101 %	101 %	-	-	-	622,647,069
Health	52,500,000	(13,000,000)	39,500,000	-	-	39,500,000	39,137,197	-	(362,803)	99 %	75 %	-	-	-	13,045,923
Economic and environmental services	1,403,808,850	94,459,017	1,498,267,867	-	-	1,498,267,867	1,439,869,551	-	(58,398,316)	96 %	103 %	-	-	-	692,637,639
Planning and development	19,851,000	(1,031,679)	18,819,321	-	-	18,819,321	15,621,909	-	(3,197,412)	83 %	79 %	-	-	-	2,863,667
Road transport	1,376,457,850	95,490,696	1,471,948,546	-	-	1,471,948,546	1,417,438,979	-	(54,509,567)	96 %	103 %	-	-	-	685,376,325
Environmental protection	7,500,000	-	7,500,000	-	-	7,500,000	6,808,663	-	(691,337)	91 %	91 %	-	-	-	4,397,647
Trading services	1,663,311,410	18,080,524	1,681,391,934	-	-	1,681,391,934	1,612,869,735	-	(68,522,199)	96 %	97 %	-	-	-	1,328,388,252
Electricity	617,800,000	101,348,183	719,148,183	-	-	719,148,183	705,919,395	-	(13,228,788)	98 %	114 %	-	-	-	579,488,433
Water	191,612,930	29,185,121	220,798,051	-	-	220,798,051	203,483,643	-	(17,314,408)	92 %	106 %	-	-	-	178,328,179
Waste water management	801,398,480	(113,352,780)	688,045,700	-	-	688,045,700	662,083,933	-	(25,961,767)	96 %	83 %	-	-	-	562,848,699
Waste management	52,500,000	900,000	53,400,000	-	-	53,400,000	41,382,764	-	(12,017,236)	77 %	79 %	-	-	-	7,722,941
Other	35,710,000	-	35,710,000	-	-	35,710,000	35,115,470	-	(594,530)	98 %	98 %	-	-	-	32,437,579
Other	35,710,000	-	35,710,000	-	-	35,710,000	35,115,470	-	(594,530)	98 %	98 %	-	-	-	32,437,579
Total Capital Expenditure - Standard	4,353,046,899	260,821,396	4,613,868,295	-	-	4,613,868,295	4,553,450,682	82,911,520	(60,417,613)	99 %	105 %	-	-	-	3,115,999,215
Funded by:															
National Government	1,847,609,855	125,055,181	1,972,665,036	-	-	1,972,665,036	1,949,556,844	-	(23,108,192)	99 %	106 %	-	-	-	1,142,799,488
Provincial Government	61,867,000	129,283,095	191,150,095	-	-	191,150,095	187,208,469	-	(3,941,626)	98 %	303 %	-	-	-	67,996,367
Other transfers and grants	14,355,044	515,977	14,871,021	-	-	14,871,021	14,780,221	-	(90,800)	99 %	103 %	-	-	-	14,999,945
Transfers recognised - capital	1,923,831,899	254,854,253	2,178,686,152	-	-	2,178,686,152	2,151,545,534	-	(27,140,618)	99 %	112 %	-	-	-	1,225,795,800
Public contributions & donations	88,571,223	-	88,571,223	-	-	88,571,223	86,435,401	-	(2,135,822)	98 %	98 %	-	-	-	-
Borrowing	1,640,000,000	500,000,000	2,140,000,000	-	-	2,140,000,000	2,126,587,938	-	(13,412,062)	99 %	130 %	-	-	-	1,890,203,416
Internally generated funds	700,643,777	(494,032,857)	206,610,920	-	-	206,610,920	185,934,531	-	(20,676,389)	90 %	27 %	-	-	-	-
Total Capital Funding	4,353,046,899	260,821,396	4,613,868,295	-	-	4,613,868,295	4,550,503,404	-	(63,364,891)	99 %	105 %	-	-	-	3,115,999,216

Appendix F
Budgeted Cash Flows
for the year ended 30 June 2013

	2013					2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	16,859,839,772	(27,914,996)	16,831,924,776	16,831,924,776	15,384,862,699	(1,447,062,077)	91 %	91 %	15,025,873,028
Government - operating	2,566,684,104	117,417,257	2,684,101,361	2,684,101,361	2,592,462,962	(91,638,399)	97 %	101 %	2,322,772,413
Government - capital	1,923,831,899	254,854,254	2,178,686,153	2,178,686,153	2,151,373,223	(27,312,930)	99 %	112 %	1,224,657,073
Interest	67,528,240	1,086,168	68,614,408	68,614,408	62,828,008	(5,786,400)	92 %	93 %	52,933,829
Payments									
Suppliers and employees	(17,844,226,422)	(105,549,411)	(17,949,775,833)	(17,949,775,833)	(16,217,725,484)	1,732,050,349	90 %	91 %	(13,935,725,015)
Finance charges	(781,168,992)	135,658,790	(645,510,202)	(645,510,202)	(739,550,746)	(94,040,544)	115 %	95 %	(632,867,008)
Transfers and Grants	(21,201,500)	-	(21,201,500)	(21,201,500)	(17,290,290)	3,911,210	82 %	82 %	(21,495,798)
Net cash flow from/used operating activities	2,771,287,101	375,552,062	3,146,839,163	3,146,839,163	3,216,960,372	70,121,209	102 %	116 %	4,036,148,522
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	(98,231,605)	(98,231,605)	DIV/0 %	DIV/0 %	(82,520,092)
Decrease (increase) in financial assets	287,434,199	(198,767,420)	88,666,779	88,666,779	(19,663,760)	(108,330,539)	(22)%	(7)%	54,914,064
Payments									
Capital assets	(4,057,540,695)	(238,152,585)	(4,295,693,280)	(4,295,693,280)	(4,432,484,443)	(136,791,163)	103 %	109 %	(4,666,720,744)
Net cash flow from/used investing activities	(3,770,106,496)	(436,920,005)	(4,207,026,501)	(4,207,026,501)	(4,550,379,808)	(343,353,307)	108 %	121 %	(4,694,326,772)
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	1,640,000,000	500,000,000	2,140,000,000	2,140,000,000	2,140,000,000	-	100 %	130 %	1,022,303,530
Payments									
Repayment of borrowing	(297,361,141)	(60,394,717)	(357,755,858)	(357,755,858)	(397,387,711)	(39,631,853)	111 %	134 %	(306,788,414)
Net cash flow from/used financing activities	1,342,638,859	439,605,283	1,782,244,142	1,782,244,142	1,742,612,289	(39,631,853)	98 %	130 %	715,515,116
Net increase/(decrease) in cash held	343,819,464	378,237,340	722,056,804	722,056,804	409,192,853	(312,863,951)	57 %	119 %	57,336,866
Cash/cash equivalents at the year begin:	1,219,703,381	(256,099,825)	963,603,556	963,603,556	967,778,428	295,332	100 %	79 %	910,441,560
Cash/cash equivalents at the year end:	1,563,522,845	122,137,515	1,685,660,360	1,685,660,360	1,376,971,281	(312,568,619)	82 %	88 %	967,778,426

Appendix G

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette
					Sep	Dec	Mar	Jun	Total				July to June	
Capital Grants:														
Integrated national electrification Programme (INEP)	Department of Mineral & Energy (DME)	387,273	1,138,727	(1,526,000)	30,000,000	-	-	-	30,000,000	30,000,000	-	None	None	Yes
Gauteng Project Linked Housing	Gauteng:Local Government & Housing (GLGH)	26,454,435	-	48,553,230	-	-	-	-	-	56,305,113	18,702,552	None	None	Yes
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	9,678,160	-	(47,877,549)	262,775,000	420,440,000	367,855,000	-	1,051,070,000	1,012,870,611	-	None	None	Yes
Gautrans Job Creation	Gauteng: Transport	1,408,211	-	-	-	-	-	-	-	1,337,104	71,107	None	None	Yes
PTIS: Roads	Gauteng: Transport (GDoT)	63,587,306	-	707,352,000	50,000,000	300,000,000	398,702,000	-	748,702,000	93,540,864	11,396,442	None	None	Yes
PTIS: Transport Housing Accreditation	Gauteng: Transport (GDoT)	9,600,629	-	628,702,000	-	-	-	-	-	634,177,352	4,125,277	None	Nonee	Yes
	Gauteng:Local Government & Housing (GLGH)	67,394	-	-	-	-	-	-	-	-	67,394	None	None	Yes
EPWP Sport and Recreation	Department of Public Works	-	-	6,651,000	-	-	-	-	-	5,726,394	924,606	None	None	Yes
	Gauteng: Sport, Arts, Culture & Recreation	515,977	-	-	-	-	-	-	-	443,360	72,617	None	None	Yes
Electricity Demand Side (EDSM)	Department of Mineral & Energy (DME)	29,524	-	-	-	-	11,000,000	-	11,000,000	10,622,559	406,965	None	None	Yes
Blue IQ	Blue IQ	24,998,876	-	-	-	-	-	-	-	12,999,757	11,999,119	None	None	Yes
Local Economic Development: Winterveldt	Gauteng:Economic Development (GPGDED)	8,750,000	-	-	-	-	-	-	-	-	8,750,000	None	None	Yes
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	1,884,837	-	4,000,000	-	-	-	-	-	3,761,079	2,123,758	None	None	Yes
Finance Management Grant (FMG)	National Treasury	-	-	1,717,040	-	-	-	-	-	1,433,950	283,090	None	None	Yes
Neighbourhood Development (NDPG)	National Treasury	34,017,099	-	(382,000)	9,350,000	50,217,000	92,433,000	-	152,000,000	183,447,389	2,187,710	None	None	Yes
Sandspruit: DWA	Department Water Affairs	1,853,017	-	-	-	-	1,800,255	-	1,800,255	2,489,029	1,164,243	None	None	Yes
		183,232,738	1,138,727	(67,514,279)	352,125,000	770,657,000	871,790,255	-	1,994,572,255	2,049,154,561	62,274,880			

Appendix G
Disclosures of Grants and Subsidies in terms of
Section 123 MFMA, 56 of 2003 (Supplementary
unaudited information)

Name of Grants	Name of organ of state or municipal entity	Opening balance	Correction of prior years	Transfers and Returned	Quarterly Receipts					Expenditure	Closing balance	Grants and Subsidies delayed/ withheld	Reason for delay/ withholding of funds	Compliant with the grant conditions in terms of grant framework in the latest DoRA/ Provincial Gazette	
					Sep	Dec	Mar	Jun	Total				July to June		
Operational grants/subsidies:															
Health: HIV/AIDS	Gauteng: Department of Health & Social Development	89,650	-	-	-	9,908,000	-	-	9,908,000	5,796,674	4,200,976	None	None	Yes	
Primary Healthcare	Gauteng: Department of Health & Social Development	-	-	-	-	-	14,812,719	14,812,720	29,625,439	29,625,439	-	None	None	Yes	
Emergency Medical Services (EMS)	Gauteng: Department of Health & Social Development	-	-	-	12,419,000	12,419,000	12,419,000	12,419,000	49,676,000	49,676,000	-	None	None	Yes	
Top Structures: Project Linked Housing	Gauteng: Local Government & Housing (GLGH)	66,001,719	-	-	-	-	30,043,380	-	30,043,380	45,363,566	50,681,533	None	None	Yes	
Finance Management Grant (FMG)	National Treasury	-	-	(1,717,040)	5,000,000	-	-	-	5,000,000	3,095,884	187,076	None	None	Yes	
Equitable share	National Treasury	-	-	-	433,596,000	344,775,000	262,259,000	-	1,040,630,000	1,040,630,000	-	None	None	Yes	
Urban Settlement Development (USDG)	Cooperative Governance and Traditional Affairs (CoGTA)	439,760	-	47,877,549	-	-	-	-	-	48,317,309	-	None	None	Yes	
Water Services Operating Grant	Department of Water Affairs and Forestry (DWAF)	290,366	-	(194,000)	742,000	742,000	743,000	-	2,227,000	2,318,534	4,832	None	None	Yes	
Housing Accreditation	Gauteng: Local Government & Housing (GLGH)	1,235,232	-	-	-	-	-	-	-	-	1,235,232	None	None	Yes	
Bontle Ke Botho	Gauteng: Agriculture, Conservation & Environment (GDACE)	-	-	-	-	-	-	-	-	-	-	None	None	Yes	
Community Libraries Services	Gauteng: Sport, Arts, Culture & Recreation	2,545,131	-	(3,700,000)	5,190,000	-	-	-	5,190,000	3,406,296	628,835	None	None	Yes	
Performance Management	Department of Local Government	268,665	-	-	-	-	-	-	-	-	268,665	None	None	Yes	
PTIS: Transport	Gauteng: Transport (GDoT)	64,421,712	-	78,650,000	-	-	-	-	-	143,059,260	12,452	None	None	Yes	
Revenue Enhancement	Department Public Works	-	-	-	-	-	3,500,000	-	3,500,000	-	3,500,000	None	None	Yes	
Equitable Share: Fuel levy	Department Local Government	-	-	-	442,018,000	442,018,000	442,018,000	-	1,326,054,000	1,326,054,000	-	None	None	Yes	
EPWP	Department of Public Works	-	-	(6,651,000)	-	-	-	10,151,000	10,151,000	-	3,500,000	None	None	Yes	
		135,292,235	-	114,265,509	898,965,000	809,862,000	765,795,099	37,382,720	2,512,004,819	2,697,342,962	64,219,601				
Revenue per Statement of Financial Performance (see note 26)		318,524,973		1,138,727						4,746,497,523					
Unspent conditional grants per Statement of Financial Position (see note 10)				(319,663,700)							126,494,481				